The Pacific islands continue to face a unique set of development challenges: They are constrained by small domestic markets, a narrow resource and production base, and high unit costs of infrastructure; they are also heavily dependent on external trade and are vulnerable to external shocks and natural disasters. Despite an almost complete absence of absolute poverty, the islands are confronting acute environmental issues which, in some cases, will significantly affect their long-term economic outlook. Deforestation in the Solomon Islands, in particular, is an issue of major economic and environmental importance to the country. Papua New Guinea also faces important issues of deforestation and preservation of ecological diversity. It has recently enjoyed rapid growth fueled by rising mineral and new oil exports, but it must cope with problems of promoting growth in the rest of the economy.

Viet Nam rejoined the Bank's list of borrowers in fiscal year 1994 after a fifteen-year hiatus, and Cambodia became a first-time borrower (see Box 5-5). By the end of the year, IDA credits, totaling $324.5 million, had been made to Viet Nam for projects in the education, transportation, and agriculture sectors, while one emergency rehabilitation credit, for $62.7 million, was approved for Cambodia. Both countries are among the poorest in the world, with annual per capita incomes of about $200, but each, for different reasons, offered signs of hope for sustainable economic development.

While overall the region performed impressively, the picture was far from unblemished, and areas of concern highlighted in last year's *Annual Report* remained as obstacles to sustained development for most, if not all, countries of the region. In particular, serious environmental damage, associated with rapid urbanization, inadequate regulation and planning, and incorrect pricing of resources, continues to impose major costs. Land degradation and deforestation also remained as serious threats to sustained growth. Because the poor suffer disproportionately from the effects of environmental degradation, environmental issues

***Table 5-5*. Lending to Borrowers in East Asia and Pacific, by Sector, 1985–94**
(millions of US dollars; fiscal years)

Sector	Annual average, 1985–89	1990	1991	1992	1993	1994
Agriculture	726.9	743.0	1,374.7	826.7	1,089.3	1,735.4
Energy						
Oil and gas	54.0	86.0	—	100.0	225.0	266.0
Power	533.0	813.0	275.0	1,745.9	760.0	1,048.5
Environment	—	—	—	—	50.0	306.5
Human Resources						
Education	272.0	434.4	592.0	474.1	478.9	346.6
Population, health, and nutrition	72.8	—	164.0	129.6	200.4	160.0
Social sector	—	—	—	—	—	9.7
Industry and Finance						
Industry	259.2	—	361.7	82.7	250.0	40.0
Finance	373.1	68.0	439.3	—	457.0	100.0
Infrastructure and Urban Development						
Telecommunications	7.0	391.7	—	375.0	134.0	250.0
Transportation	726.9	497.2	323.6	1,182.5	1,132.2	1,340.0
Urban development	249.7	86.2	543.1	168.0	110.0	349.0
Water supply and sewerage	77.5	349.0	177.8	275.0	310.0	—
Mining and Other Extractive	25.2	—	—	—	—	—
Multisector	298.0	250.0	250.0	70.0	200.0	82.7
Public Sector Management	6.1	—	62.0	17.0	173.0	—
Tourism	—	—	—	—	—	—
Total	3,681.4	3,718.5	4,563.2	5,446.5	5,569.8	6,034.4
Of which: IBRD	3,107.2	3,066.8	3,471.0	4,386.9	4,404.8	4,623.8
IDA	574.2	651.7	1,092.2	1,059.6	1,165.0	1,410.6
Number of operations	40	35	39	45	45	43

NOTE: Details may not add to totals because of rounding.

— Zero.

Box 5-5. Lending to Viet Nam Resumes; Is Initiated in Cambodia

After a fifteen-year hiatus, lending resumed to Viet Nam during fiscal 1994, when two credits totaling about $228 million were approved in October 1993. One credit, for $70 million, will support a primary education project, while the second, for $158.5 million, will support highway repair. A third credit, for $96 million, was approved in January 1994; it supports a program to provide more credit and back-up services to small farmers in Viet Nam. In addition to these three investments, the Bank has been providing technical assistance for the preparation of a public investment program and for improving capacity in core ministries. The assistance is expected to enable the Bank to identify further projects in priority areas such as infrastructure, agriculture, natural resource protection, and the social sectors.

The three credits were approved after a support group of donor countries assisted Viet Nam in clearing its arrears to the IMF in October 1993.

In advance of actual lending, the Bank had done a great deal of preparatory work. Analytical work had resumed in 1989, with the result that several economic and sector reports had been completed, and a solid basis for resumption of lending had been established.

An initial donors' group meeting for Viet Nam, sponsored by the Bank and the United Nations Development Programme, was held in Paris in November, and pledges of $1.8 billion in aid were given by multilateral and bilateral donors. It was agreed that, in the future, the World Bank would chair a consultative group meeting each year, as it does for other countries.

During the past year, the Bank extended its first-ever credit to Cambodia, which joined the institution in 1970. The $62.7 million credit was in support of an emergency rehabilitation project, designed to arrest the deterioration in basic services by financing priority imports.

In addition, a policy framework paper, prepared jointly by the government, the Bank, and the IMF, was agreed upon. The paper provides details of the country's medium-term adjustment and reform program. Over the next three years, the government intends to consolidate the initial restoration of macroeconomic stability, undertake a process of institutional strengthening supported by comprehensive technical assistance, substantially increase public investment in order to address rehabilitation and reconstruction needs, and initiate a process of wide-ranging structural reforms aimed at enhancing savings, investment, and growth over the longer term.

In view of the legacy of war and devastation and the recent political transition, restoring financial stability, strengthening the central institutions of macroeconomic management, and initiating investment for rehabilitation and reconstruction comprise the most immediate tasks. The donor community has pledged its support for Cambodia's recovery. In March 1994, at a meeting of the International Committee on the Reconstruction of Cambodia, donors renewed that support based on an economic report prepared by the Bank: *Cambodia, from Rehabilitation to Reconstruction*.

Against this background, the government has adopted a medium-term adjustment program for which it is seeking support from the IMF through a three-year arrangement under the Enhanced Structural Adjustment Facility and has begun preparations for a structural adjustment credit and a companion technical assistance project with the World Bank.

are a major concern for the countries in the region and the Bank.

Another serious problem that has been exposed and exacerbated by the region's high growth rates is the historical inadequacy of infrastructure investment relative to rapidly growing demand. Reflecting this, Bank lending emphasizes effective infrastructure development across the region, with lending for transportation, power, and irrigation again the largest component of the overall program. Because the region's infrastructure needs, however, are so large, the Bank alone cannot have more than a marginal effect. The private sector in the countries themselves and through foreign direct investment (FDI) will have to play an increasingly critical role in developing and modernizing East Asia's infrastructure base.

Despite recent gains, the countries of the region have an average income of about $600 a year, which is low among developing countries worldwide. About 80 percent of the population is emerging from socialism—more than in Central and Eastern Europe and the former Soviet Union—while the middle-income countries of Korea, Malaysia, and Thailand comprise just 5 percent of East Asia's people. The significance of this is that East Asia has sustained rapid growth and far-reaching social and economic reforms at relatively low income levels and when their economies were undergoing major internal reforms. This augurs well and suggests that further inroads may be made in reducing poverty and protecting the environment as the reform process advances, underpinned by larger regional flows of trade and investment.

Progress in Poverty Reduction

Among all regions, East Asia and Pacific stands out as the one that has made the most

ATAKAI.
PAINTS.
INDUSTRIAL POLLUTION
WASTE
SEWAGE SYSTEM
DRIFTING NET

Consciousness about the environment has been raised in Tonga, as these murals attest to the vigor with which the inhabitants try to get the message across.

impressive gains in poverty reduction, as well as being the fastest growing. Living standards have quadrupled in a generation, and health and education indicators have posted significant gains. One striking feature of growth in East Asia has been its evenness; it is spread across most of the population and is not confined to a wealthy elite. Absolute poverty has fallen sharply in East Asia, from a third of the population in 1970 to a tenth in 1990, at a time when the overall population was growing.[4] In absolute numbers, East Asia's population living in absolute poverty numbered 400 million in 1970 and 180 million in 1990. Not only were 220 million people lifted above the absolute poverty mark, but over the same period, 425 million people were added to the population—also above the poverty level. The most impressive gains have been made in Indonesia, where the percentage share of absolute poverty has fallen from 60 to 15 of the total population over the period, and China, where it fell from 33 to 10 percent. But progress was impressive almost throughout the region, with Korea and Malaysia cutting their proportion of absolute poor from 23 and 18 percent, respectively, to about 5 percent in each country.

Though the gains have been outstanding, the task ahead is even more challenging. The remaining poor live in remote, barren areas and are the hardest to lift from poverty, even by sustained economic growth. For this reason, the Bank places special emphasis on targeted poverty strategies in its lending program. But there is reason for confidence: Governments in the region have shown themselves determined to invest in basic human needs, such as health care and education—steps that have proven central to an effective fight against poverty.

Obstacles to Sustained Growth

Despite its impressive performance, the region faces a number of obstacles to sustained growth; indeed, some are so formidable that, if unresolved, they could stop or even reverse the progress now being made. These obstacles include:

The environment. Developing countries of the East Asia and Pacific region have paid insufficient attention to protecting and restoring the environment as population growth, rapid urbanization, and the spread of industry have placed sizable demands on air, water, and forest resources. The consequences today are heavy, with unacceptably high pollution levels in air and water throughout much of the

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[4] Absolute poverty is defined here as income insufficient to maintain a subsistence intake of 2,150 calories a day.

***Table 5-6.* World Bank Commitments, Disbursements, and Net Transfers in East Asia and Pacific, 1990–94**
(millions of US dollars; fiscal years)

	China			Indonesia			Philippines			Total region		
Item	start 1994	1994	1990–94	start 1994	1994	1990–94	start 1994	1994	1990–94	start 1994	1994	1990–94
Undisbursed commitments	7,720			4,785			1,988			16,554		
Commitments		3,160	11,028		1,490	7,215		478	3,414		6,124	25,422
Gross disbursements		1,926	7,111		1,170	5,909		480	2,623		4,209	18,888
Repayments		282	984		833	3,332		343	1,580		2,669	11,308
Net disbursements		1,644	6,127		336	2,576		137	1,043		1,540	7,581
Interest and charges		365	1,379		882	4,038		346	1,570		2,043	9,577
Net transfer		1,279	4,748		−546	−1,462		−209	−527		−503	−1,996

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

region—particularly in major urban centers. Urgent steps are necessary to reverse this trend and to foster a more efficient and "environment friendly" growth in the years ahead. Addressing the region's environmental needs will cost an estimated $24 billion each year by the year 2000. The Bank has prepared environmental assessments for most countries in East Asia and is seeking to focus borrowers' attention on the long-term benefits of sound environmental policies. Environmental screening of projects, and full impact assessment and mitigation of many, is now standard Bank procedure. Reflecting this priority, the Bank emphasizes sustainable environmental practices in all its lending. In calendar year 1993—the most recent period for which complete figures are available—the Bank lent $3.6 billion dollars for projects in the region with specific environmental components. The Bank was also involved in broad-ranging policy analysis, through the publication of "Toward an Environmental Strategy for Asia,"[5] and with other initiatives including:

- the Asia Water Resources Initiative, advocating a comprehensive, river basin approach to water policy;
- the Asian biodiversity strategy, involving consultation with nongovernmental organizations and specific project preparation in the region in concert with the Global Environment Facility;
- the Metropolitan Environment Improvement Program, a coordinated approach to urban environmental management in cities such as Beijing, Jakarta, and Manila;
- Analytical work on deforestation in the vast area covered by Cambodia, the Lao PDR, and Viet Nam;
- "Rains Asia," a computer analysis of acid rains, from which national and regional policy on atmospheric emission can be drawn; and
- increased investment in environmental projects throughout the region.

Infrastructure bottlenecks. Rapid economic expansion has outstripped the capacity of existing infrastructure and has created serious impediments to further investment and rapid growth. Greater electricity-generation capacity, sufficient telecommunications facilities, better urban and intercity roads, and efficient ports are high on the list of East Asia's infrastructure needs. Bank estimates suggest that, in the 1980s, infrastructure investment in East Asia may have lagged necessary levels by much as 2 percent to 3 percent of GDP. To make up this shortfall, the region will need an estimated $1.5 trillion in infrastructure investment during the 1990s. Fifty-eight percent of Bank lending to East Asia in fiscal 1994 was for infrastructure, with most going to transportation ($1,340 million). Other infrastructure commitments included power generation ($1,049 million), irrigation ($491 million), urban development ($349 million) and telecommunications ($250 million). (See Table 5-5 for details.) The size of the investment shortfall demands that the private sector play an expanding role in infrastructure financing; in turn, governments of the region will need to establish the appropriate regulatory and legal frameworks to attract and secure such investment.

Financial sector reform. Increased flows of trade and FDI to East Asia are placing strains on existing financial structures, indicating the need for more flexible and responsive finance systems. The trend is already under way, but it needs to move more quickly and to incorporate building new or stronger banking systems and money markets. The Bank is working with its member countries, at a range of levels, to upgrade and liberalize finance markets and institutions.

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[5] Brandon, C., and R. Ramankutty. 1993. "Toward an Environmental Strategy for Asia." World Bank Discussion Paper No. 224. Washington, D.C.

State enterprise reform. Large, inefficient state enterprises obstruct and delay economic growth and the transition to a more efficient market economy. Progress is being made in this highly sensitive reform area across much of the region, particularly in China and Viet Nam. Malaysia is pursuing an ambitious privatization program. The Bank is encouraging borrowing countries to create a competitive environment for business growth and to take steps to expose state enterprises to the discipline of the market. At the same time, however, steps must be taken to provide alternative employment, or some social safety net, for those displaced by such reforms.

Trade imbalances. East Asia is currently running substantial trade surpluses with other trading partners, which is neither desirable or sustainable. Although regional levels of protection are currently relatively high, reductions in tariff levels (on a nondiscriminatory basis), now under way, are projected to increase penetration of foreign products and lower surpluses while boosting the region's growth and welfare. With the region expected to provide about half the incremental growth in world trade to the year 2000, this is a priority reform area. The Bank is advocating that East Asia become a more active participant in global trade discussions, reflecting the region's rise as a major importer and exporter.

Institution building and strengthening. The need for expanding competent management across most areas of development is emerging as a major issue in East Asia. Whether in pollution monitoring and control, design and implementation of monetary and fiscal policies, or traffic-management planning and regulation, effective institutions are essential. The Bank is assisting countries in a range of fields to establish or strengthen such institutions.

Bank Activities in the Region

Past lending. The World Bank has been actively involved in lending and policy guidance in the region since it made its first loans to Thailand (for railways, ports, and irrigation) in 1950. Japan was also an early borrower and now stands as a monument to successful economic development worldwide. Cumulative Bank lending to the region is more than $70 billion, with lending to agriculture and rural development ($16.3 billion), transportation ($13.2 billion), and power ($11.8 billion) the major categories.

Fiscal year 1994. Today, the Bank deals with twenty countries in East Asia and Pacific, lending $6 billion in fiscal year 1994. China ($3.1 billion), Indonesia ($1.5 billion), and the Philippines ($478 million) were the biggest regional borrowers. Roughly $1.4 billion of the lending program was in the form of IDA credits. After a fifteen-year hiatus, lending resumed to Viet Nam; in Cambodia, the Bank extended its first-ever credit during the past year.

The Bank's mandate in all its borrowing member countries is to support broad-based economic development and the reduction of poverty. Lending, economic and sector work, and associated technical assistance is aimed at realizing this goal. Central to the Bank's overall approach, however, is the reduction of poverty. In fiscal 1994, twelve projects, valued at $1,035 million had specific poverty reduction components and were included in the program of targeted interventions; that amount was up $391 million from last year's total (eight projects worth $644 million). During the year, one poverty assessment was completed, bringing to six the cumulative total for the region.

Supervision—Next Steps

The Bank, in accordance with the recommendations of the 1992 report of the Task Force on Portfolio Management, is undertaking more regular supervision of all projects to monitor the quality and effectiveness of implementation. In addition, reviews are conducted annually or biennially of country project performance generally. Management of projects has become computerized, and field offices are now taking a more active role in supervising projects. The region expects to supervise some 300 projects a year over the next three years.

Though portfolio performance is strong, extra attention is needed because newer and less experienced member countries—in terms of economic and institutional strength—make up a growing share of the portfolio. The complexity of projects also is increasing, with some having many components (flood control, power generation, irrigation, and complete resettlement packages, for example), and some applying to several provinces in a single country.

South Asia

South Asia is a region full of contrasts. On the one hand, its economic potential is considerable. During the 1980s, the rate of economic growth in the region was 5.2 percent a year, compared with 3.9 percent among all low-income countries (excluding India and China). Its growth was exceeded—albeit significantly so—only by that in East Asia and Pacific. Progress in reducing fertility led to annual growth, in per capita terms, of nearly 3 percent during a period often referred to as the "lost decade" in many other regions of the world.

On the other hand, South Asia is also characterized by widespread poverty and unacceptably low standards of living for many of its people. While accounting for a fifth of the world's population, South Asia is also home to nearly half the world's poor (estimated at 390 million persons).[6] Regional per capita income currently averages $310, and, with the notable exception of Sri Lanka and several states in India, social indicators are poor. Life expectancy is lower than in any other region except Africa; of every ten children born, at least one is expected to die before the age of one. Problems of poor health and high rates of malnutrition are compounded by low levels of literacy—as of 1990, only 45 percent and 31 percent of South Asian men and women, respectively, were literate—and low school enrollments and high drop-outs. Nearly half of the region's children do not complete primary school.

***Table 5-7.* South Asia: 1992 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1992–94**

Country	Population[a] (millions)	Per capita GNP[b] (US dollars)
Bangladesh	114.4	220
Bhutan	1.5	180
India	883.6	310
Nepal	19.9	170
Pakistan	119.3	420
Sri Lanka	17.4	540

NOTE: The 1992 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1994*.

a. Estimates for mid 1992.

b. *World Bank Atlas* methodology, 1990–92 base period.

The Challenges of Development

The Gulf crisis of 1990–91, coupled with political upheavals in the former Soviet Union (which sharply diminished traditional export markets), exposed major weaknesses in the development path that countries of the region took in the 1980s. This was demonstrated for India in 1991, when, as a result of the Gulf crisis-induced oil-price shock, a severe balance-of-payments crisis ensued, and gold reserves had to be pledged to avoid a disruption in debt servicing. Pakistan has thus far avoided the same sort of crisis, but its reserve position needs strengthening, and the government has been slow to bring chronic fiscal deficits under control. Other countries remain heavily dependent on concessional funding and are thus vulnerable to external shocks from an environment in which aggregate aid is unlikely to expand and competition for scarce funds is becoming increasingly strong.

While rates of growth in the 1980s were high, they were not sustainable. Progress at reducing poverty was most rapid in the early 1980s, but the pace moderated in the latter part of the decade, in large part the result of the worldwide slowdown in economic growth. The fundamental challenge facing South Asia today is how to continue the high economic performance of the previous decade with concomitant rapid and sustained reductions in poverty and improvements in social indicators. A sustainable growth path for the 1990s must be based on small fiscal deficits, a sustainable balance-of-payments outlook, and improved environmental quality. Countries of the region—be they small, island economies like the Maldives or semi-industrial giants like India—face three major challenges in ensuring continued progress through the 1990s:

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[6] As estimated from Chen, Shaohua, Guarav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" (Policy Research Working Paper number 1146, June 1993).

First, to deepen economic reforms in order to attain high growth and greater economic resilience;

Second, to broaden and further accelerate efforts to reduce poverty and improve living conditions—as East Asia has shown can be done; and

Third, to better manage the environment to ensure sustainable development.

Deepening Reforms

Two themes have characterized until recently the development approach of most South Asian economies: a strong economic role for the state and relatively inward-looking development strategies. The broad consensus in development thinking—borne by the successes and failures of past decades—is that countries do better, both in generating growth and reducing poverty, with more market-friendly policies and outward-looking strategies. While there is general agreement in South Asia about the direction of needed reforms, the pace has been uneven, typically reflecting broader political economy issues and electoral cycles. Recent progress is most evident in fiscal developments and tax reforms, external policies, and financial reforms.

In the public sector, the primary focus is on structural reforms to underpin medium-term fiscal adjustment, particularly tax reform and expenditure reduction and restructuring. In the area of tax reform, India has made significant progress in removing several tax-induced distortions. Measures set out in the fiscal year 1995 budget continue tax-reform progress by broadening the tax base and reducing the dispersion of tax rates. Excise taxes were streamlined, with many being shifted from specific to *ad valorem* rates. Taxes on corporate income, as well as on capital gains, were also reduced. Progress continued in Nepal, Pakistan, and Sri Lanka towards moving to a full-fledged value-added tax, and Pakistan made important progress in broadening the tax base by introducing an agricultural income and wealth tax.

On the fiscal side, Pakistan's political transition in 1993 contributed to a deterioration in

***Table 5-8*. Lending to Borrowers in South Asia, by Sector, 1985–94**
(millions of US dollars; fiscal years)

Sector	Annual average, 1985–89	1990	1991	1992	1993	1994
Agriculture	943.9	668.0	773.0	346.1	480.7	387.8
Energy						
Oil and gas	287.2	—	735.2	330.0	—	—
Power	982.0	1.012.3	200.0	730.0	960.0	230.0
Environment	—	—	—	—	—	14.7
Human Resources						
Education	133.1	580.8	307.1	145.6	339.0	220.0
Population, health, and nutrition	65.6	192.5	388.5	377.5	827.0	233.1
Social sector	—	—	—	—	—	—
Industry and Finance						
Industry	202.0	300.0	528.0	—	—	250.3
Finance	344.8	375.0	123.5	28.4	65.8	—
Infrastructure and Urban Development						
Telecommunications	93.4	—	57.0	55.0	—	—
Transportation	310.9	191.5	178.9	306.0	120.0	491.3
Urban development	248.1	—	—	—	—	246.0
Water supply and sewerage	97.4	89.9	306.6	—	208.2	—
Mining and Other Extractive	117.6	—	—	—	12.0	—
Multisector	107.9	94.4	7.0	655.2	403.5	—
Public Sector Management	—	—	—	25.0	—	296.8
Tourism	—	—	—	—	—	—
Total	3,939.3	3,504.4	3,604.8	2,998.8	3,416.2	2,370.0
Of which: IBRD	2,465.4	1,725.5	1,540.1	1,348.0	1,145.0	474.0
IDA	1,473.8	1,778.9	2,064.7	1,650.8	2,271.2	1,896.0
Number of operations	32	26	30	24	26	19

NOTE: Details may not add to totals because of rounding.

— Zero.

A Nepalese woman sorts recently threshed grain in a remote village where mechanized labor has yet to make inroads.

the fiscal deficit, which rose to a record high 9.5 percent of gross domestic product (GDP).[7] The caretaker government moved rapidly to strengthen the fiscal position, control monetary expansion, and reduce the balance-of-payments deficit. The rupee was devalued, and measures were enacted to contain spending and increase revenue. Fiscal adjustment has continued under Pakistan's new government, leading to a notable reduction in the fiscal deficit in the second half of 1993. Fiscal stability continued in Bangladesh. Although buoyant revenues helped increase public savings from 2 percent to 2.4 percent of GDP, the expected increase in public investment lagged as a result of continuing delays in project implementation. In Sri Lanka, a reduction in current expenditures led to positive public savings for the first time in many years. In India, however, fiscal slippage occurred: The central government deficit widened from 5.6 percent of GDP in 1992 to more than 7 percent in 1993. Forty percent of the increment in the deficit can be attributed to shortfalls on the revenue side, while 60 percent was the result of an overshooting of spending targets.

Progress was slow in the area of privatization and public enterprise reform. While the privatization of small and medium-scale enterprises continued briskly in Sri Lanka, Pakistan's political transition slowed the process. In April 1994, however, the government announced that it intended to privatize fifty-one industries by the end of the calendar year. Over the past year, Nepal either privatized or liquidated seven (out of fifty-one) enterprises earmarked for divestiture.

Developing a leaner and more efficient public sector is only one part of the reform agenda. A dynamic private sector has an important complementary role to play to ensure sustained, high-quality growth. While notable advances have been made in recent years, much still remains to be done to improve the environment for private sector development in the region. In addition to continued public enterprise reform and privatization, infrastructure must be expanded and measures undertaken to improve the overall business environment through deregulation, further reductions in trade barriers, exchange-rate reforms, and financial sector development and integration—all key enabling factors necessary for private sector development.

Countries of the region continued to pursue more outward-looking strategies through trade liberalization and exchange-rate reforms. In

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[7] The fiscal years of the region's countries vary widely. Year-specific numbers in this section, therefore, correspond roughly, unless otherwise indicated, to calendar years.

Nepal, for example, steps are under way to liberalize trade and industrial policies, unify the exchange rate, and attain full convertibility on the current account. In Pakistan, the government is implementing a comprehensive three-year program of tariff reduction and trade-policy liberalization that includes the reduction of maximum tariffs from 92 percent to 35 percent by mid 1997. India's current budget includes additional measures to reduce peak tariffs and lower tariff rates on imports of capital and intermediate goods. In Sri Lanka, the government has implemented measures to achieve current account convertibility, the forward foreign exchange market was further liberalized, and steps were taken to lower tariff and nontariff barriers and eliminate many export and import-licensing requirements.

A recent development that underlines the confidence of international investors in South Asia's growth potential is the surge in capital flows, particularly for Sri Lanka and India. In 1993, foreign direct investment (FDI) and portfolio investment in Sri Lanka were equivalent to 2.4 percent of GDP ($248 million), while in India, these flows reached $4.9 billion, or nearly 2 percent of GDP. The majority of flows in India consisted of portfolio investment, while in Sri Lanka FDI accounted for the larger share. Increased private capital flows represent a response by international investors to the increasing credibility of reforms in these countries. For the countries, these flows represent a major opportunity to increase investment performance and hence to raise growth rates. However, making effective use of private capital flows is contingent on a continued momentum in domestic policy reforms—both macroeconomic and microeconomic. Without such reforms, there would be increased risks of rising consumption, higher inflation, and/or declining export growth, all of which could cause reversals in capital flows.

Advancing the Agenda for Poverty Reduction

Reducing poverty and improving living conditions are central development objectives for countries throughout South Asia. It is now universally recognized that high and sustained economic growth is necessary for reducing levels of poverty. South Asia's growth record was good over the past decade, and there is convincing evidence that these high growth rates were reflected in rising per capita consumption across the income-distribution scale and falling levels of poverty. For example, between the mid 1970s and the end of the 1980s, poverty levels in India fell from roughly 55 percent of the population to 39 percent. In Pakistan, the incidence of poverty fell from one third of the population in the early 1980s to about a quarter in 1991. However, country averages mask dramatic interregional differences. In India, the populous states of Bihar and Orissa have poverty rates of nearly 55 percent, compared with 27 percent for Andhra Pradesh and 13 percent for Punjab. Similarly, in Pakistan, 23 percent of those who live in the northern part of Punjab province fall below the poverty line, while 37 percent of people in the southern part are poor.

Further progress in reducing poverty depends crucially on the success of ongoing reforms. At the same time, efforts are under way to encourage greater use of labor, the poor's most abundant asset. Given that the vast majority of the poor in South Asia live in rural areas and depend on agriculture for their livelihood, particular emphasis is being given to policies designed to expand output in agriculture and increase employment and earnings in the rural off-farm sector. Efforts are also under way to improve the enabling environment for growth in rural areas—for example, through accelerated investments in rural infrastructure and reform of rural credit institutions.

Clearly, however, growth alone is not sufficient. Indeed, for many South Asian countries, the economic growth performance of the 1980s did not translate into commensurate improvements in social indicators. Better access to services—particularly basic education, health, nutrition, and family planning—and more effective safety net programs are essential. As an element of ongoing reform programs, most countries in the region have taken steps to reorient the pattern of public expenditures to address better the needs of the poor. The prominent place of women among the beneficiaries of these initiatives reflects a growing and welcome commitment to improving economic opportunities and living conditions for women. For example, Pakistan is moving ahead firmly in implementing its social action program (SAP), which is the government's principal vehicle for expanding coverage, quality, and effectiveness of basic services, with a particular focus on women and children. Progress over the past year included higher budgetary allocations to SAP sectors (such as basic education, health, family planning, and rural water supply), reduction of many regulatory bottlenecks, and the initiation of institutional reforms to strengthen implementation of the program. India has also made substantial progress. A new, national primary school development program has been launched that gives highest priority to districts with low rates of female literacy, and central government

Table 5-9. World Bank Commitments, Disbursements, and Net Transfers in South Asia, 1990–94
(millions of US dollars; fiscal years)

	India			Pakistan			Bangladesh			Total region		
Item	start 1994	1994	1990–94	start 1994	1994	1990–96	start 1994	1994	1990–94	start 1994	1994	1990–94
Undisbursed commitments	10,374			2,793			1,523			15,891		
Commitments		929	9,788		742	3,238		597	2,021		2,370	16,134
Gross disbursements		1,716	9,793		540	2,812		360	1,722		2,768	15,284
Repayments		963	3,570		194	685		33	110		1,211	4,448
Net disbursements		753	6,223		345	2,127		327	1,612		1,558	10,836
Interest and charges		838	3,833		215	875		40	174		1,114	4,980
Net transfer		−85	2,390		130	1,252		287	1,438		444	5,856

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

funding has been increased for endemic disease-control programs. In Sri Lanka, steps have been taken to improve the targeting of income-transfer and social safety net programs.

The role of local governments is expanding, and a more hospitable environment in which nongovernmental organizations (NGOs) can operate in the region is being created. Bangladesh is in the midst of implementing a new local government structure, with the objective of increasing grassroots participation in the design and implementation of programs to develop human resources and local infrastructure. District elections have been held; subdistrict development coordinating committees established; and the entire local government structure is expected to be in place by mid 1994. Governments' attitudes towards NGOs have become far more positive over the past several years, and the region is host to some of the world's best-known NGO initiatives, such as Bangladesh's Grameen Bank, the Bangladesh Rural Advancement Committee, India's Self-Employed Women's Association, the Aga Khan Rural Support Project (AKRSP) in Pakistan, and Sri Lanka's Sarvodaya, as well as a wide range of lesser-known but equally impressive NGO efforts. These diverse programs have great potential for helping to reduce poverty and improve living conditions in the region. Some governments have begun to replicate elements of NGO programs: For example, the government of Pakistan has recently initiated a National Rural Support Program (modeled after the AKRSP), which is designed to promote community-level self-sufficiency and reduce poverty.

Ensuring Environmental Sustainability

South Asia's current development strategies hold forth the promise of sustained, rapid, and poverty-reducing economic growth. This growth, superimposed on a rapidly growing and urbanizing population, inevitably will put more pressure on air, water, and land resources. Problems are already apparent in terms of increased levels of air and water pollution, contamination by toxic wastes, soil erosion, land degradation, and deforestation. In addition, the environment is adversely affected in many countries by the presence of incentive regimes that encourage intensive use of high-polluting energy, inefficient use of surface water and groundwater, underinvestment in sanitation and waste management, and inadequate protection of soils and forests.

Protecting the natural resources of the region is a complex and long-term process. Governments face difficult policy dilemmas as they search for ways to accelerate growth and ensure environmental sustainability. Some progress has been made in recent years in addressing these issues. National environmental action plans (NEAPs) were completed and openly debated in Sri Lanka in 1991, and in India, Nepal, and Pakistan in 1993. These documents, together with follow-up workshops in each country, provide a base for prioritizing donor assistance. Parallel to the NEAP process, explicit steps have been taken to strengthen environmental management. For example, new ordinances have been passed in Pakistan that mandate higher environmental quality standards, decentralized responsibility for pollution control, and an expansion of the staff of national and provincial-level environmental institutions. In India, new national policies have been adopted to combat industrial pollution through both increased regulations and some fiscal incentives. In addition, in 1994 the government strengthened regulations governing environmental assessments, requiring, among other things, broad consultation and public participation. Many Indian states have adopted participatory approaches that utilize economic incentives to protect forests and preserve biodiversity.

The Bank's Strategy for the Region

The direction of the Bank's lending program in fiscal 1994 and the underlying economic and sector work were guided by the challenges facing countries in South Asia—the need to promote sustained growth, reduce poverty, and improve living conditions. In line with these objectives, a key focus of the economic and sector work program was on the role of fiscal reforms and reforms in the agriculture, infrastructure, and human resources sectors in promoting sustainable growth and reducing poverty. Analysis of factors that encourage private sector development was also central to the work program, and efforts were made to improve dissemination of findings both within the region and more broadly outside.

The South Asia loan portfolio includes 242 projects and commitments totaling $26.6 billion as of June 30, 1994. The portfolio consists primarily of investment loans. The principal change has been in sectoral composition, as the share in lending for agriculture has gradually dropped while the share accounted for by the human resources sectors has increased (from an average 5 percent in the period fiscal 1985–89 to 19 percent in fiscal 1994).

Bank lending during the past year totaled $2,370 million, a decrease of $1,046 million over fiscal 1993. The decrease can be attributed to two factors; first, both the Bank and governments are exercising greater care during the project cycle in order to achieve higher quality-at-entry for new projects, particularly in complex sectors dealing with sensitive issues (such as resettlement and the environment); second, a buildup of reserves and an improved balance-of-payments situation in several countries has made adjustment borrowing less necessary, at least for the present. The past year's lending program had a strong focus on the poor. Five operations (accounting for $741.8 million, or 31 percent of new lending) are included in the program of targeted interventions (PTI), while one adjustment operation (accounting for $250 million) had a poverty focus.

During the past year, the region focused on three types of portfolio-implementation issues in an attempt to strengthen performance and improve the quality of the Bank's lending portfolio. First, by giving priority to reducing project complexity and ensuring readiness for implementation, the quality of new projects entering the portfolio has been upgraded. Second, actions were taken to strengthen portfolio-management practices to deal expeditiously with problem projects and reduce project gestation time. Problem projects are reviewed on a quarterly basis to ascertain the extent of progress in implementing remedial measures and to recommend and/or endorse restructuring as required. Gestation time is being reduced by focusing on accelerating project start-up, undertaking mid term reviews of projects to provide for early diagnosis and corrective actions, and working to ensure that projects close on time. Third, systemic implementation issues are being tackled through the identification and adoption of measures to improve deficiencies in project funding, procurement, and project management. Country-implementation reviews, sectoral supervision strategies, and vigorous resident-mission support were the principal vehicles for addressing these problems.

Efforts to strengthen performance and improve quality of the portfolio have been successful: Year-to-year average portfolio performance indicators indicate progress in the timely start-up of new operations, in decreasing the number and proportion of problem projects, and in increasing disbursements on investment operations as a percentage of the fiscal year's opening undisbursed balance.

Europe and Central Asia

The process of transition from centrally planned economic systems to market economies has presented difficult challenges for the countries of the Europe and Central Asia region. The economic challenges are complicated by the concurrent political and social transformation, as well as by the legal and institutional reforms taking place in all of these countries. Successfully addressing these challenges will be critical for completing the transition.

***Table 5-10.* Europe and Central Asia: 1992 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1992–94**

Country	Population[a] (millions)	Per capita GNP[b] (US dollars)
Albania[c]	3.4	—
Armenia[d]	3.7	780
Belarus[d]	10.3	2,930
Bulgaria	8.5	1,330
Croatia[c]	4.8	—
Cyprus	0.7	9,820
Czech Republic	10.3	2,450
Estonia[d]	1.6	2,760
Hungary	10.3	2,970
Kazakhstan[d]	17.0	1,680
Kyrgyz Republic[d]	4.5	820
Latvia[d]	2.6	1,930
Lithuania[d]	3.8	1,310
Macedonia, FYR[c]	2.2	—
Moldova[d]	4.4	1,300
Poland	38.4	1,910
Romania	22.7	1,130
Russian Federation[d]	149.0	2,510
Slovak Republic	5.3	1,930
Slovenia	2.0	6,540
Turkey	58.5	1,980
Ukraine[d]	52.1	1,820
Uzbekistan[d]	21.5	850

NOTE: The 1992 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1994*.

— Not available.

a. Estimates for mid 1992.

b. *World Bank Atlas* methodology, 1990–92 base period.

c. Estimated as lower-middle income ($676–$2,695).

d. Estimates for the former Soviet Union are subject to more than the usual range of uncertainty and should be regarded as very preliminary.

In general, the external environment was adverse during fiscal 1994. Many countries of Central and Eastern Europe, whose economies have been in transition for several years, were attempting to rebound in the face of continued economic slowdown by their major trading partners in Western Europe. Such slowdown contributed in part to a dampening of export expansion for countries such as Bulgaria, Hungary, Poland, and Romania.

The states of the former Soviet Union (FSU) continued to face problems stemming from dissolution of the union, including the breakdown of the trade-and-payments system. Trade within the republics of the FSU contracted further during the year. Importers of energy from the FSU faced further terms-of-trade deterioration as energy prices from Russia and elsewhere moved closer to world levels. Terms of trade deteriorated by more than 20 percent in 1993 in Belarus, the Kyrgyz Republic, and Moldova.

Country experiences have become increasingly differentiated. On the one hand, some economies have stabilized and are on the way to a restoration of growth. In 1993, for instance, Poland registered a second consecutive year of expansion, the economy surged in Albania, and output stabilized in Estonia, the Czech Republic, and Romania.

On the other hand, some countries have yet to make progress towards sustained stabilization. Since the beginning of 1994, inflation has been reduced in the Russian Federation, largely as a result of tighter credit in the latter part of 1993 that was associated with a build-up in arrears of government wage and other payments. However, maintaining this reduction will require further progress on structural reforms, such as lower fiscal deficits consistent with the new role of the state and further liberalization of the incentive regime and improved allocation of credit, in particular.

In several countries, the transition process is being eased by flows of private capital investment and technology from abroad: Hungary received more than $1 billion in foreign direct investment (FDI) during 1993; the Czech Republic and Poland were also major recipients; and FDI more than doubled in 1993 compared with 1992 in Kazakhstan, Estonia, Latvia, Lithuania, and the Slovak Republic.

Acceleration of private sector activity appears to have been a key component of any turnaround in growth in most countries. Today, more people work in the private sector than in the public enterprise sector in the Czech Republic, Hungary, and Poland.

Most countries are experiencing rising unemployment associated with the downsizing of public sector enterprises. In Central and Eastern Europe, open unemployment continued to increase in 1993. In the republics of the FSU, open unemployment has emerged more slowly. However, "hidden unemployment" in the form of short hours or unpaid leave at the enterprise level is growing. In Ukraine, for example, it was estimated at 9 percent during 1993. Although registered unemployment remains at under 2 percent of the labor force in Russia, the real level of unemployment is substantially higher. In many countries, employment and wages in declining industries are being maintained only through significant credits from the banking system.

The introduction of individual currencies, which began in fiscal years 1992 and 1993, accelerated—in Armenia, Azerbaijan, Georgia, Kazakhstan, Moldova, Turkmenistan, and Uzbekistan, for example. Exchange-rate regimes vary across countries, ranging from a fixed exchange rate based on a currency board with full reserve backing in Estonia and Lithuania, to floating regimes in Kazakhstan, the Kyrgyz Republic, and Latvia.

In Turkey, the many improvements in economic policies and performance during the 1980s have been undermined by a steady deterioration in public finances in recent years and deterioration of the external position in 1993, culminating in a severe currency crisis in January 1994. In April, the government unveiled an adjustment program focusing on stabiliza-

Table 5-11. Lending to Borrowers in Europe and Central Asia, by Sector, 1985–94
(millions of US dollars; fiscal years)

Sector	Annual average, 1985–89	1990	1991	1992	1993	1994
Agriculture	281.4	263.0	100.0	155.0	525.4	582.9
Energy						
Oil and gas	56.0	—	520.0	246.0	703.0	856.1
Power	238.0	250.0	600.0	270.0	—	—
Environment	—	18.0	—	—	—	—
Human Resources						
Education	52.8	90.2	250.0	—	67.0	59.6
Population, health, and nutrition	15.0	—	—	280.0	91.0	—
Social sector	—	—	—	—	—	10.9
Industry and Finance						
Industry	289.4	—	100.0	60.0	—	375.0
Finance	210.5	326.0	710.0	—	55.0	280.0
Infrastructure and Urban Development						
Telecommunications	14.0	—	270.0	—	30.0	153.0
Transportation	200.0	445.0	300.0	—	378.0	352.0
Urban development	30.8	—	—	200.0	285.0	171.0
Water supply and sewerage	92.4	198.0	—	32.0	129.5	109.6
Mining and Other Extractive	—	—	—	—	—	—
Multisector	—	600.0	1,017.0	691.1	1,245.0	566.3
Public Sector Management	—	—	—	209.2	335.0	210.0
Tourism	—	—	—	—	—	—
Total	1,480.4	2,190.2	3,867.0	2,143.3	3,843.9	3,726.4
Of which: IBRD	1,480.4	2,190.2	3,867.0	2,102.2	3,739.5	3,533.3
IDA	—	—	—	41.1	104.4	193.1
Number of operations	12	14	19	14	30	42

NOTE: *Details may not add to totals because of rounding.*

— Zero.

Still struggling in the aftermath of the 1988 earthquake, many Armenians have been forced to live in "container communities" of dwellings built from fuel tanks and railway boxcars. A $28 million IDA credit, approved in fiscal 1994, will provide shelter for 2,000 families.

tion and key structural reforms, particularly privatization and the containment of current government expenditures and transfers.

Privatization, Enterprise and Financial Sector Reform

In general, privatization continued to accelerate during the past year, with small-scale privatization continuing to take the lead. Small-scale privatization is essentially complete in the Czech and Slovak Republics, Hungary, and Poland. Substantial progress has been made in Albania, the Baltic states, the Kyrgyz Republic, Romania, and Russia (see Box 5-6). However, the process is only in its inception in countries such as Belarus, Ukraine, and Uzbekistan. Mass privatization programs gained momentum: The first wave of voucher privatizations was completed in the Czech Republic and Slovakia, and a second was begun in the Czech Republic. Russia has used a combination of voucher privatization and management/employee buyouts on a very large scale: More than 8,000 medium-scale and large enterprises—including about a third of all state-owned industrial enterprises—were privatized in 1993, and two thirds of all small service enterprises were privatized by the end of 1993. Investment funds participating in the voucher auctions exceeded 400 in the Czech Republic and Slovakia, 600 in Russia, and 300 in Lithuania and mass privatization programs were adopted in Kazakhstan, Poland, Moldova, and Slovenia.

Privatization of the largest state-owned enterprises, however, has not advanced nearly as quickly. In Russia, only a few have been privatized. In spite of a vigorous marketing effort aimed at strategic investors, Estonia was able to sell fewer than fifty large enterprises in 1993, although negotiations are well-advanced for some fifty others. Sale to managers and workers has been successful in a number of countries when prices were favorable or installment sales were permitted.

Concurrent with progress on privatization, reform of banking systems has continued, and efforts are under way to strengthen accounting and payments systems. In some countries, the number of commercial banks has expanded rapidly, to over 2,000 in Russia in 1993, for example. Other banking sectors have experienced consolidation. For example, in Estonia, the total number of banks has decreased by half since independence. Privatization of the banking sector was initiated in Latvia, Lithuania, and Poland. In the first wave of voucher privatizations in the Czech Republic and in Slovakia, the biggest commercial banks were partially privatized.

A range of approaches has been put in place to address the legacy of nonperforming loans in

Box 5-6. Privatization Progress in the Russian Federation

Progress in privatization has been the centerpiece of the government's achievements in structural reform of the economy. The Russian privatization program has privatized a larger number of enterprises than any other program in the world. As of March 1994, more than 60 percent of the industrial workforce was employed in privatized enterprises. More than 12,000 enterprises were privatized via voucher auction by June 1994 when voucher privatization was brought to a close. This will still leave several thousand large and medium enterprises to be privatized through either cash auctions, investment tenders, or other special arrangements.

Small-scale privatization has also kept pace, though with significant regional variation; currently more than 70 percent of all small-scale retail, catering, and service enterprises have been privatized.

Many state and collective farms have been technically privatized, though they remain under collective leadership, and most have not been significantly restructured. Privatization has accelerated, however, with the recent removal of restrictions on buying and selling of agricultural land. Under a pilot program in the Nizhny Novgorod region currently being promoted by the International Finance Corporation, the private sector investment arm of the World Bank, members of collectives can elect to divide their farms and then bid on parcels of land to work individually or in partnership with other owners. By June 30, 1994, some six collective farms in the region had been sold under the program. In March 1994, the government committed itself to expanding the program beyond Nizhny Novgorod, and the IFC is now moving to help the country implement the expanded program.

Housing privatization began late in 1992, with more than 1 million units in Moscow and more than 25 percent of eligible units nationwide having been privatized to date; most have been given to occupants under a nationwide framework of providing housing on a giveaway basis.

the portfolios of commercial banks—a legacy that has undermined the dual objectives of restructuring existing enterprises and providing adequate credit to emerging enterprises. A decentralized approach, relying heavily on bank leadership in restructuring, has been put into place in Poland; it is being complemented by a special support mechanism for handling large or locally sensitive loss-makers. In Hungary, more emphasis has been placed on strengthening and enforcing bankruptcy laws. Elsewhere—in Albania, the Kyrgyz Republic, and Romania, for example—more centralized approaches have been introduced, in which a subset of problematic enterprises has been isolated from the rest of the banking system.

The Bank's Strategic Objectives

The Bank's operations have rapidly evolved to respond to the diverse needs of its borrowing countries. The former Yugoslav Republic (FYR) of Macedonia fulfilled requirements pursuant to resolutions of the Bank's executive board providing for succession to membership of the Socialist Federal Republic of Yugoslavia and became a member of the Bank; a financial workout program was developed under the leadership of the Netherlands that cleared that country's arrears to the institution ; and an economic recovery loan to the country was approved in February 1994. Lending operations were also initiated in Belarus, Croatia, Kazakhstan, Slovenia, and Uzbekistan, as well as in the newly formed Czech Republic and Slovakia.

The speed and comprehensiveness with which borrowers have embarked on a reform program vary greatly, as do the initial conditions facing their economies. As a result, the Bank's assistance is tailored to match individual country circumstances. However, some features of the adjustment effort have been common across countries. The start of transition has usually taken place in the midst of strong output declines. At this stage, the Bank has quickly provided balance-of-payments support to help redress such declines. These have been the so-called "rehabilitation" loans. During fiscal year 1994, such rehabilitation operations were approved for Belarus, Kazakhstan, and Moldova; similarly, an economic recovery loan was approved for Slovakia and FYR Macedonia. These operations are complemented by institution-building and technical assistance operations essential for the early development of institutions needed in the development of markets.

The Bank also has helped finance selected critical infrastructure-maintenance investments to avoid deterioration of key infrastructure. In Kazakhstan, a project was approved to restore public transport services, and in Estonia and Russia, programs of highway rehabilitation are being supported. In some cases, output collapse has been compounded by natural disasters to which the Bank has responded, including a drought-recovery loan for Moldova in fiscal year 1993 and an earthquake-rehabilitation credit for Armenia in fiscal year 1994.

***Table 5-12.* World Bank Commitments, Disbursements, and Net Transfers in Europe and Central Asia, 1990–94**
(millions of US dollars; fiscal years)

	Russia			Poland			Turkey			Total region		
Item	start 1994	1994	1990–94	start 1994	1994	1990–94	start 1994	1994	1990–94	start 1994	1994	1990–94
Undisbursed commitments	457			2,610			3,176			9,478		
Commitments		1,520	2,890		146	3,657		100	2,219		3,726	15,971
Gross disbursements		284	587		307	1,204		386	2,084		1,980	7,666
Repayments		—	—		—	—		753	3,414		1,149	6,183
Net disbursements		284	587		307	1,204		−367	−1,330		831	1,483
Interest and charges		25	26		73	146		422	2,395		817	4,113
Net transfer		259	561		234	1,058		−789	−3,725		14	−2,630

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.
— Zero.

Support for privatization and financial sector development. A major focus of Bank support is the privatization and restructuring of public enterprises and complementary financial sector reform and development. Technical assistance is being provided early in the process throughout the region, particularly in the former Soviet Union. In Kazakhstan, a comprehensive program was developed with close Bank collaboration, with implementation being supported under a technical assistance loan approved in fiscal year 1994.

Bank operations were also approved during the past year to strengthen financial infrastructure in Belarus, Kazakhstan, and Uzbekistan. For example, support has been provided for the modernization of the interbank payments system, essential for improving the trade and payments situation. Twinning arrangements are being financed to strengthen commercial and savings banks—their success in Poland has contributed to the ability of the commercial banks to clean up their portfolios. After some progress is made, Bank support has been expanded into sector adjustment lending to deepen sectoral reforms in this area. The Bank approved an enterprise and financial sector adjustment operation for Slovenia to further development of the private sector. After initial balance-of-payments support to the Kyrgyz Republic in fiscal 1993, an adjustment operation is now focusing on privatization, reducing the financial burden stemming from large loss-making enterprises, and enhancing the environment for private sector development. Under certain circumstances, the Bank has also provided some financial intermediation lending. The Russia Enterprise Support Project supports initiation of term lending to private enterprises from a core of commercial banks, while another project is providing for institutional strengthening and systems modernization for those banks. The Bank has also approved an onlending facility in Romania to finance export and industrial investments by the private sector.

Public enterprise reforms, including privatization, are also important for the long-run reduction of public sector deficits and improved efficiency in Turkey. Here, the fiscal year 1994 lending program supported a build up in institutional capacity for accelerated preparation and implementation of the government's privatization agenda; this support included a safety net program that will alleviate the impact of state-owned enterprise downsizing and divestiture on displaced workers and their families.

Infrastructure, energy, and environment. In countries where structural transformation is well advanced and the public finance situation is stable, sectoral lending has intensified to alleviate constraints to the growth of the private sector. Fiscal 1994 evidenced active support to the oil and gas, telecommunications, and transportation sectors.

During the past year the Bank continued work begun in 1992 at the request of the major industrialized countries (the G-7) to develop energy strategies in certain countries of the region with high-risk, Soviet-designed nuclear reactors. This effort has been carried out in close collaboration with the European Bank for Reconstruction and Development, the European Investment Bank, the International Energy Agency, the G-7, and the countries themselves. Regional strategies and country-specific studies—Lithuania and Ukraine this past fiscal year—are being developed to lay out an integrated approach to power sector development and nuclear safety. The Bank is playing its part in support of the necessary policy reforms and the financing of conventional power investments, while working in a coordinated manner with other financing sources for nuclear safety and nuclear power.

National environmental actions plans (NEAPs) were completed in fiscal year 1994 for Belarus and Ukraine—adding to the eight completed earlier—and work began on NEAPs for the Kyrgyz Republic and Moldova. Based on these strategies, Bank assistance can be coordinated with other financing sources to provide financing for conventional power investments while supporting policy reforms critical for cost-effective energy conservation and public safety. The second oil rehabilitation project in Russia includes a component to prevent negative environmental effects from the project and to begin remedial actions to address past damage. In Bulgaria, the Water Companies Restructuring and Modernization Project is financing investments in wastewater treatment that will reduce river pollution as well as contribute to the clean-up of the Danube river and the Black sea. In most of the former socialist countries, actions to establish clear rules on environmental liability have been included in operations supporting privatization. Four Central and Eastern European countries have received assistance from the Global Environment Facility for biodiversity conservation, mainly to improve transboundary protected areas, and good early progress on implementation was made during the fiscal year.

Poverty and social sectors. To promote employment opportunities and reduce or prevent poverty, recovery of output and job creation are essential. The Bank's programs, including support for enterprise restructuring, private sector development, and deregulation of prices and marketing channels, are critical in this regard. At the same time, however, social protection must be provided for those unable to take advantage of these opportunities. Improved targeting and rationalization of social services remain crucial. To facilitate targeting of social benefits to the neediest and the development of policies aimed at poverty reduction, the Bank is supporting collection of household survey data and careful in-depth analysis. In fiscal year 1994, a poverty assessment was carried out for Poland, and poverty-assessment work was initiated in several countries, including Russia. During fiscal 1994, an operation to improve the social safety net was approved for Albania. In fiscal year 1994, a Women in Development Fund was established in the Bank's Europe and Central Asia regional office to support work in new areas of inquiry on gender and transition.

The Bank also is supporting the rationalization of social sector expenditures and prevention of the deterioration in key social services. Work on the health sector in Russia was carried out during the year, laying the groundwork for the development of lending operations. Education projects were approved for Albania and Romania.

Focus on Portfolio Quality

The institutional and economic flux characterizing countries in transition calls for a sharp focus on portfolio quality and effective implementation. Among new member countries, implementation is complicated by the lack of familiarity with Bank procedures. Procurement and disbursement, in particular, present difficulties. The Bank is helping to develop efficient counterpart units and is establishing project accounts and audit procedures. Thus, in Moldova, procurement and disbursements have been accelerated for two projects approved in fiscal 1993. It is also continuing to prepare and translate standardized bidding documents, adapted to local conditions, to promote the reform of public procurement regulations through technical assistance or Institutional Development Fund grants, and to hold procurement and disbursement seminars.

The Bank is also quickly incorporating lessons learned into project design. Efforts are being made to keep project design simple and limit project components. Given the unprecedented situation facing many borrowers in the region, the Bank puts a premium on its ability to be flexible and adaptable. Institutional development is an imperative, and almost all projects have significant institutional development components.

Field offices are playing an increasing role in effective project implementation, in addition to facilitating policy dialogue. Two new resident missions were established during the past year—in Belarus and Kazakhstan—bringing the total in the region to fourteen. The number of field-office staff has grown as well, and higher-level staff—including those who are locally recruited—are increasingly involved in implementation assistance to the borrower, including procurement administration.

Latin America and the Caribbean

The Latin America and the Caribbean panorama in 1993 shows large disparities in growth rates across countries, a definite downward trend in inflation in most countries, continued capital inflows, significant expansion of regional trade, and a growing perception that investment in social and economic infrastructure must be increased.

During 1991–93, the region grew, on average, by 3.2 percent annually, almost double the average growth that took place during the post-debt crisis years. Average growth of 3.5 percent in 1993 compares favorably with the 2.8 percent achieved in 1992.

***Table 5-13.* Latin America and the Caribbean: 1992 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1992–94**

Country	Population[a] (millions)	Per capita GNP[b] (US dollars)
Argentina	33.1	6,050
Barbados	0.3	6,540
Belize	0.2	2,220
Bolivia	7.5	680
Brazil	153.9	2,770
Chile	13.6	2,730
Colombia	33.4	1,330
Costa Rica	3.2	1,960
Ecuador	11.0	1,070
El Salvador	5.4	1,170
Guatemala	9.7	980
Guyana	0.8	330
Haiti[c]	6.7	—
Honduras	5.4	580
Jamaica	2.4	1,340
Mexico	85.0	3,470
Nicaragua	3.9	340
Panama	2.5	2,420
Paraguay	4.5	1,380
Peru	22.4	950
Trinidad and Tobago	1.3	3,940
Uruguay	3.1	3,340
Venezuela	20.2	2,910

NOTE: The 1992 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1994*.

a. Estimates for mid 1992.

b. *World Bank Atlas* methodology, 1990–92 base period.

c. Estimated as low-income ($675 or less).

The region's growth figures are greatly influenced by Brazil's performance. If Brazil were excluded, the region's growth record worsened in 1993 with respect to the average of the previous two years, dropping from about 5 percent to 2.8 percent. The fall was due mainly to the poor performance of Mexico and Venezuela. Some Central American countries, however, continued to show strong growth: Panama (7 percent), Costa Rica (5.6 percent), and El Salvador (5 percent). In South America, Argentina, Chile, and Colombia also experienced growth of more than 5 percent.

Until 1993, the Caribbean countries had experienced a decade marked by high rates of growth (6 percent on average). During 1993, however, growth slowed in some countries (particularly in Jamaica) and was elusive in others—in Haiti, Suriname, and Trinidad and Tobago, for example. Only Guyana continued to record a high growth rate—7 percent, following 8 percent in 1992 and 6 percent in 1991. The Dominican Republic was not able to continue at the fast pace of the previous year (7.5 percent), falling to 3.5 percent.

The sluggishness of growth in the Caribbean means that the efforts to improve competitiveness were not sufficient to cope with the rapidly changing external scenario. The key challenges are to find ways to offset the decline in official flows and the erosion of preferential trading arrangements, particularly for bananas and sugar.

The slowdown in the rate of growth in many Latin American countries appears to be mainly cyclical. It is partly the result of the recession in the industrialized world, which reduced demand for the region's exports. The 4.5 percent fall in the region's term of trade during 1993 reinforced the effect of this recession. In addition, some countries that recently adopted reforms are still adjusting to a new set of widely different relative prices. Adjustment takes time, and the costs of resource realignment must be borne before benefits are reaped.

As a result of wide world interest rate differentials, capital continued to flow into the region, thereby blunting some of the recessionary tendencies.[8] Spurred by a record number of bond issues and large new flows of foreign direct investment, net transfers to the region were positive for the third year in a row. Argentina, Brazil, and Mexico were the leaders in bond issuances (totaling more than $15 billion among the three), while the privatization of Argentina's state oil company was expected to generate some $3 billion of additional equity investment flows.

Inflation continued to decrease in most countries. Excluding Brazil, the region's (weighted) inflation rate dropped from 76 percent in 1991 to 23 percent in 1992 and to 15 percent in 1993. The reduction in the rate of inflation in many countries is the result of structural-adjustment programs that have emphasized strong fiscal and monetary measures coupled with market liberalization. The success that most Caribbean countries experienced in reducing inflation during 1992 was maintained in 1993. The fiscal accounts improved substantially in a number of countries, particularly in Grenada and Jamaica.

Despite relatively high per capita income levels in most countries, poverty and income distribution continue to be major problems. About 32 percent of the region's population lives in poverty, and the lower 20 percent of the population on the income scale receives only 4 percent of total gross domestic product (GDP). The level of poverty is particularly acute among indigenous groups. Poverty in these groups is in excess of 70 percent in Peru and Bolivia, and more than 80 percent in Mexico and Guatemala—rates significantly higher than

Table 5-14. **Lending to Borrowers in Latin America and the Caribbean, by Sector, 1985–94**

(millions of US dollars; fiscal years)

Sector	Annual average, 1985–89	1990	1991	1992	1993	1994
Agriculture	1,031.8	855.7	941.5	1,569.6	390.0	446.9
Energy						
Oil and gas	127.9	—	260.0	110.1	44.9	—
Power	647.1	897.5	—	11.0	372.0	—
Environment	—	—	—	—	16.3	418.0
Human Resources						
Education	103.8	—	595.3	786.1	588.7	1,083.3
Population, health, and nutrition	62.8	389.2	337.3	47.5	374.0	331.0
Social sector	5.6	—	—	—	—	130.0
Industry and Finance						
Industry	293.4	77.5	—	—	—	—
Finance	982.6	471.1	844.5	877.0	125.0	604.5
Infrastructure and Urban Development						
Telecommunications	9.0	22.0	—	—	—	—
Transportation	417.4	1,029.0	218.0	564.2	1,697.5	595.0
Urban development	316.5	457.7	260.0	490.0	170.0	402.0
Water supply and sewerage	190.0	—	485.0	250.0	439.0	521.5
Mining and Other Extractive	11.4	—	200.0	—	250.0	14.0
Multisector	631.2	1,378.0	422.3	593.8	1,318.1	62.2
Public Sector Management	114.9	387.0	672.8	362.2	383.0	118.3
Tourism	—	—	—	—	—	20.0
Total	4,945.4	5,964.7	5,236.7	5,661.5	6,168.5	4,746.7
Of which: IBRD	4,840.8	5,726.7	5,067.2	5,256.5	5,851.8	4,434.5
IDA	104.7	238.0	169.5	405.0	316.7	312.2
Number of operations	44	41	44	45	50	48

NOTE: Details may not add to totals because of rounding.

— Zero.

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[8] While many countries have benefited from increased flows of private capital, those same flows have put serious upward pressures on the exchange rate in country after country. How to handle the inflow of capital without reducing competitiveness through exchange-rate appreciation is a major challenge.

In Peru, female laborers work on a water-diversion scheme, lining a canal that will carry water from the Andes to their village. Such projects are village-based and tend to involve participation from women.

those of the nonindigenous populations. An important correlate of poverty among indigenous groups is a lack of education, which is substantially below that of the general population.

The Bank's commitment to development and to poverty reduction go hand in hand. In general, trends in income inequality appear to have been significantly influenced by trends in per capita income; thus, the higher the growth in income per capita, the lower the inequality. In Latin America, as elsewhere, the Bank's efforts to reduce poverty follow a two-pronged approach: promotion of broad-based economic growth and the targeting of assistance to poor and vulnerable groups.

The Americas: Trade and Integration

One of the most significant economic features of the late 1980s and early 1990s has been the dramatic increment in intraregional trade. This was due, first, to trade liberalization and second, to regional/bilateral trade agreements—MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay), CARICOM (the Caribbean Common Market) with Colombia and Venezuela, and other initiatives. These initiatives are likely to be replicated through the North American Free Trade Agreement (NAFTA), as well as through additional bilateral agreements. Chile has signed bilateral agreements with Argentina, Bolivia, Mexico, and Venezuela, while Mexico has signed agreements with Costa Rica and Venezuela-Colombia. Guatemala and El Salvador have entered into a regional free-trade agreement, which will also involve Honduras. Bolivia, Colombia, Ecuador, Peru, and Venezuela have signed a multilateral trade agreement. Trade has been opened up in most CARICOM countries (with the exception of Antigua and Barbuda, and Belize), the first stage of a common external tariff has been implemented, and nontariff trade barriers continue to be reduced. Representatives of twenty-two countries and several dependent territories in the Caribbean basin have concluded the first round of talks aimed at creating a new regional trading bloc.

The NAFTA is one of the world's most comprehensive free-trade pacts (short of being a common market) among regional partners. Some provisions took place on January 1, 1994, the day the agreement went into effect, and others will be implemented over a period of five, ten, and fifteen years. Special features include: the opening up of service sectors, particularly in finance, land transportation, and telecommunications; the immediate conversion of key agricultural restrictions into tariff-rate surcharges (which will be phased out in no more than fifteen years); the dismantling of traditionally high barriers by the United States and Canada on imported textiles and apparel; the introduction of innovative dispute-settlement procedures; and the establishment of a mechanism to address cross-border environmental issues. The NAFTA's long-term effect on Mexico will have major secondary effects on poverty reduction, the environment, human resources, and rural/urban development.

The most notable increment in intraregional trade has occurred in the MERCOSUR countries. From 1987 to 1993, the share of intramember trade increased from about 22 percent to almost 40 percent in Argentina; 13 percent to 23 percent in Brazil; and from about 30 percent to some 48 percent in Uruguay. MERCOSUR has also changed the trade patterns of its partners. In 1990, for instance, the Brazilian government ceased providing incentives to its wheat producers, thus giving a boost to imports of cheaper Argentinian wheat; it is expected that Argentina will eventually fill about 70 percent of Brazil's wheat-import needs. Argentina's substantial exports to Brazil during 1993 helped reduce its bilateral trade deficit from $1.7 billion to $600 million.

Trade between Argentina and Chile has also increased significantly, from about $600 million in 1990 to about $1 billion in 1993. Further economic integration will be boosted by the construction of new transAndean oil and gas pipelines. Moreover, since 1991, Chile has become one of the biggest investors in Argentina, with total investment of about $2.7 billion.

Although the increasing share of intraregional trade might have involved some diversion of trade from the rest of the world, for many countries there was also significant trade creation: During the period 1987–93, Argentina expanded the value of its trade to GDP from 13 percent to 20 percent, Chile from 56 percent to 73 percent, Colombia from 37 percent to 44 percent, Costa Rica from 64 percent to 92 percent, Mexico from 25 percent to 39 percent, and the Caribbean countries from 67 percent to 78 percent. This aggregate expansion of trade decelerated in 1992, however, and came to a halt in 1993, as the ratio of exports to GDP remained roughly the same for most countries. Only seven countries increased (slightly) their exports during the year.

Overall trade expansion was stalled by two events. The world demand for regional exports was weakened by recession in the industrial countries, and the exchange rate in many countries of the region appreciated as a result of large capital inflows, thereby reducing the international competitiveness of the region's exports. These inflows are currently financing increased domestic expenditures and will pose important challenges if they slow down.[9] This slowdown process will require significant relative price adjustments that may be difficult to engineer in countries with fixed or quasi-fixed nominal exchange rates. The possibility exists that a reduction in capital inflows might be answered by increased trade protection, thereby negating the effects of the recent opening up of international trade, which has been the backbone of the region's reform effort.

The key to the enhancement of the region's competitive edge is increased productivity. This requires further trade liberalization, further deregulation of domestic markets (in particular, labor markets), and improvements in the supervision of the deregulation process. Deeper trade liberalization would increase productivity as economies shift their resources to areas of comparative advantage, and the region absorbs state-of-the-art technology. Further domestic market deregulation would also make economies more efficient and, consequently, more competitive. In Peru, for example, it is estimated that labor productivity in the manufacturing sector has increased by about 21 percent since the beginning of the 1990 reform program, which has emphasized both trade liberalization and domestic market deregulation.

Stabilization and Reform in Brazil

Brazil's economy represents about 40 percent of the region's GDP. During the past few years, the economy has experienced large macroeconomic imbalances and several attempts at "shock" stabilization, among them the 1985 "Cruzado Plan" and the 1990 Collor Plan, neither of which reduced long-term inflation.

Despite high rates of inflation in 1993, Brazil's economy experienced a substantial recovery, improving from a 0.9 percent decline in output in 1992 to a positive 4.9 percent rate of growth. At the same time, however, the inflation rate increased dramatically. Despite a significant increase in taxes collected, which changed the operational deficit into a 0.7 percent surplus, inflation jumped from about 400 percent in 1992 to 2,752 percent in 1993, and, by December 1993, it was running at an annual rate of about 5,000 percent. Yet another stabilization program was launched in March 1994. With this effort, Brazil has taken the first steps

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[9] Most of these inflows have been received by the five largest Latin American economies—mostly in fixed-income securities. From a modest bond issuance of about $400 million in 1989, the market soared to about $23 billion in 1993. The stock markets in the area also boomed during 1993 due to their small capitalization base and increased investor confidence.

Table 5-15. World Bank Commitments, Disbursements, and Net Transfers in Latin America and the Caribbean, 1990–94
(millions of US dollars; fiscal years)

	Brazil			Mexico			Argentina			Total region		
Item	start 1994	1994	1990–94	start 1994	1994	1990–94	start 1994	1994	1990–94	start 1994	1994	1990–94
Undisbursed commitments	4,789			3,712			1,607			16,183		
Commitments		1,137	5,277		1,530	8,663		609	3,621		4,747	27,779
Gross disbursements		437	3,399		997	8,663		392	2,789		2,769	22,307
Repayments		1,292	6,139		1,007	4,588		441	1,691		4,489	19,714
Net disbursements		−855	−2,740		−10	4,075		−49	1,097		−1,720	2,593
Interest and charges		544	3,177		907	4,157		276	1,090		2,657	13,711
Net transfer		−1,399	−5,917		−917	−82		−325	7		−4,377	−11,118

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

in a long-term program that is designed to resolve its fiscal problems and introduce monetary discipline. A return to high and sustainable growth will require that substantial progress be made in the near future on the stabilization front.

Brazil has made major headway in trade reform. In June 1993, it completed a multiyear trade-reform program that reduced average tariffs to 14 percent in the context of a trade-liberalization program. Exports reached $38.7 billion (compared with $36.1 billion in 1992), and manufactured exports grew from $20.6 billion to $23.8 billion. Overall, its trade surplus in 1993 was $13 billion. The capital account continued to show large inflows and, by the end of 1993, reserves exceeded $32 billion (up $8 billion from the year before). Brazil's trade sector has ample room to grow; the total value of trade to GDP was only 15 percent in 1993.

The Road Ahead

The region's challenges are to reduce poverty and increase the well-being of its people through environmentally sustainable development. In this context, outward-oriented growth, integrated with the world economy, is crucial. It is also important to sustain fiscal reform and increase domestic savings. In this endeavor, a carefully planned and executed reform of the social security system in many countries of the region could be critical (see Box 5-7). Success will depend on increasing efficiency through more rapid growth in productivity. An integrated approach to increased productivity requires action in several areas:

- Domestic markets need to be more deregulated at all levels.
- Labor markets need to be deregulated and high payroll taxes reduced. These taxes increase costs, reduce net wages, and promote the informal economy.
- As regional growth is led by growth in the private sector, actions to sustain that sector's development should continue, and the enabling environment necessary for private sector growth nurtured.
- Public sector activities should be reoriented to maximize their efficiency; priority should be given to investment in infrastructure, which, in many cases, has lagged as a result of spending cuts mandated by stabilization programs.
- Investment in health and education is crucial for labor productivity. The cost-effectiveness of governments' health and education expenditures must be assessed. Many countries still provide blanket higher-education subsidies to students through reduced or free tuition; by doing so, income disparities are widened, and resources are spent inefficiently.[10]
- Public sector decentralization has to be carefully implemented because local governments are often weaker in their administrative capacities than central governments.
- The judicial system, which has become a constraint on productivity, must be simplified and strengthened, and archaic and cumbersome procedures eliminated.

The Bank's Strategic Objectives

The Bank has made considerable progress in the planned transition in lending from adjustment to long-term issues—human resources development, environmentally sustainable development, and private-sector development. A

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[10] The bottom 40 percent of the population in the region receives only 13 percent of total higher-education subsidies.

Box 5-7. Pension Reform in Latin America

During the debt and fiscal crisis of the 1980s, Latin America's pension schemes became seriously underfunded. By the end of the decade, falling pensions (in real terms), large social-security deficits, and depleted reserves had irreparably damaged the credibility of traditional pension schemes. As the countries of the region entered the 1980s, the movement to privatize pensions gained momentum, encouraged by the apparent success in Chile.

In 1981, Chile introduced a fully funded social-security system with individual accounts. It was a mandatory, defined-contribution system to which workers contributed for old age, survivor, and disability benefits. The funds collected from workers were (and are) managed by thirteen private firms that operate under tight supervision with strict investment limitations. A committee selects the stocks in which the thirteen firms can invest. The government guarantees workers a minimum return of the lesser of (a) the average return on all funds less 2 percent or (b) half the average return on all funds. Workers are free to switch their accumulated funds between the firms, thereby creating intense competition among them. Upon retirement, accumulated funds can be taken in a phased withdrawal and/or may be used to purchase indexed annuities.

If other governments are not exactly beating the door down in their haste to move toward a social-security system, Chilean style, it's because of the fiscal implications involved. In Chile, the transition to the new system meant that the public system lost many contributors (and, therefore, much revenue); at the same time, however, it remained liable for pension payments to retirees and retirees-to-be during the transition. A deficit of the public social-security system on the scale of the Chilean reform would likely intensify fiscal pressures, thereby making a balanced budget that much more difficult to achieve. Other issues that countries have to address include equitable treatment of different generations of workers, potential problems that could arise from implementing a Chilean-style system in the absence of well-developed financial markets, and the need for a strong regulatory and supervisory system. In countries with fiscal problems a combination of a pay-as-you-go system that provides a minimum base with a complementary fully funded private system might be warranted.

Nonetheless, the move toward the privatization of social-security systems has begun in several countries. It is furthest along in Argentina and Peru. In 1992, both governments proposed changes that effectively privatized a large share of the pension sector. Peru's new pension law went into effect in June 1993, while Argentina's was signed into law in October 1993.

Not unexpectedly, the new social-security schemes in the three countries have a number of common features. Argentina and Peru have set up schemes for the management of social-security funds that are very similar to the one in Chile; in fact, they largely adopted the Chilean regulatory structure.

But the newest schemes also differ from Chile's in certain important ways as a result of the countries' differing political climates and institutions. For example, the political power of unions and pensioners has led Argentina to maintain a large public "pillar." Thus, all eligible workers receive a flat benefit equal to 30 percent of average covered wages from the first pillar in addition to their pension from the second pillar. And, in contrast to their counterparts in Chile and Argentina, the privately managed investment firms in Peru operate in limited domestic capital markets, which provide few investment options. In addition, the absence in Peru of reliable records has forced officials to accept the "sworn statements" of workers to establish their past contributions.

The future of pension systems is currently a matter of debate in Bolivia, Brazil, Costa Rica, Mexico, Uruguay, and Venezuela. While the outcomes will vary, general weaknesses in social-security arrangements in Latin America make it likely that, given the chance, increasing numbers of workers in this region will trade in public promises for private accounts.

comparison of the actual fiscal 1991–93 lending program with the proposed program for fiscal 1994–96 shows a decline in lending for adjustment and debt reduction from 24 percent to 3 percent, an increase in lending for human resources/poverty reduction from 23 percent to 33 percent, and an increase in environment and forestry commitments from 7 percent to 13 percent.

The focus on human resources and poverty issues reflects the region's historically highly stratified social structure and skewed distribution of income. The situation cannot be reversed quickly, but improvements can be made through economic stabilization supported by targeted safety nets, stronger social sector institutions, long-term investments in health and education, the elimination of hidden subsidies for the rich (such as free higher education) and hidden taxes on the poor (such as inflation and trade barriers). During the past year, the Bank approved social sector and/or social investment fund projects in Ecuador and Peru (for $30 million and $100 million, respectively), both broadly patterned on programs begun earlier in Bolivia, El Salvador, and Mexico.

Much of the Bank's investment lending and technical assistance in the environmental area is oriented towards improving the environmental management capacity of governments (both national and subnational). This focus on institutional strengthening is taking place within a context of widespread privatization, decentralization, and governmental "downsizing" in many countries. The Bank is working with member governments to ensure that adequate capacity exists for carrying out those environmental functions (particularly legal, regulatory, and planning) that remain the responsibility of governments. At the same time, many projects are promoting the increased use of the private sector (including nongovernmental organizations) for the in-the-field implementation of environmental activities such as delivery of urban services, protected area management, and environmental monitoring.

The Bank has been in the forefront of promoting private-sector development. Private sector assessments, which aim at determining the most important factors hampering the business environment, were completed for several countries of the region during the year. Implicit in this work is the idea that governments have a comparative advantage in certain areas—providing price stability, an efficient legal system, secure property rights, security, education and health services, and infrastructure; the private sector, however, has the advantage in the production of goods and services.

Portfolio Performance and Trends

There was further improvement in the region's portfolio performance during the past year. Good overall economic performance and years of economic reform in many countries have had a positive effect on portfolio performance. The correlation between economic reform and good project implementation is strong; in addition, the convergence of thinking between the Bank and its borrowers on economic issues has made it easier to resolve outstanding problems. Implementation of some projects has been slowed, however, by (among other reasons) shortages of counterpart funds resulting from austerity drives. This problem is typical of countries that are in the early stages of adjustment. Other projects, however, have benefited as governments, such as those in Jamaica and Mexico, have concentrated resources on priority projects. Some countries have established or reinforced mechanisms for monitoring project implementation.

The Bank's emphasis on quality at entry and borrower commitment and ownership has been the key to the improved quality of its portfolio. Furthermore, importance has been placed on effective supervision of the portfolio of ongoing projects. The quality at entry concept includes not only the traditional standards of project quality but also borrower ownership and commitment to a project and to design-for-implementation. Borrower commitment and ownership is developed upstream with the involvement of borrowers and other stakeholders in sector work that eventually leads to sector strategies and identification and preparation of projects.

Middle East and North Africa

In calendar year 1993, the Middle East and North Africa region experienced a continued decline in growth rates and marked variability in performance among countries. Real gross domestic product (GDP) growth in 1993 for the eight countries in which the Bank was most active[11] was about 1.5 percent, compared with 4.3 percent in 1992 (see Table 5-17). Rates of GDP growth ranged from −1.7 percent in Algeria to 7 percent in Lebanon.

In the Maghreb, Algeria remains in recession as a result of a further decline in petroleum prices, a heavy debt burden, and drought-related declines in agricultural production. Morocco is coming out of two years of drought, during which GDP declined by a cumulative 4 percent. The underlying macroeconomic indicators remain favorable for long-term growth, however, and the outlook for 1994 is good because of improved rainfall. Tunisia's GDP grew at about 2.5 percent.

***Table 5-16.* Middle East and North Africa: 1992 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1992–94**

Country	Population[a] (millions)	Per capita GNP[b] (US dollars)
Algeria	26.3	1,840
Egypt	54.7	640
Iran, Islamic Republic of	59.6	2,200
Jordan[c]	3.9	1,120
Lebanon[d]	3.8	—
Morocco	26.2	1,030
Tunisia	8.4	1,720
Yemen[e]	13.0	—

NOTE: The 1992 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1994*.

— Not available.

a. Estimates for mid 1992.

b. *World Bank Atlas* methodology, 1990–92 base period.

c. Estimates refer to East Bank only.

d. Estimated as lower-middle-income ($676–$2,695).

e. Estimated as low-income ($675 or less).

***Table 5-17.* Real GDP Growth Rates, 1991–93, Selected Economies**

Country	1991	1992	1993
Algeria	0.2	2.3	−1.7
Egypt	2.1	0.3	0.5
Iran	10.5	6.4	3.0
Jordan	1.0	11.0	6.0
Lebanon	38.2	4.5	7.0
Morocco	6.2	−4.0	0.0
Occupied Territories	−4.0	23.6	−10.1
Tunisia	3.8	8.0	2.6
Yemen	0.0	0.1	0.3
Region[a]	6.3	4.3	1.5

a. Weighted by GDP; does not include Lebanon and Yemen.

In Iran, real growth slowed from 5.8 percent in 1992 to 3 percent. Two factors, in particular, contributed to the slowdown. First, an oil-price decline reduced export earnings by 15 percent. Second, arrears on short-term trade credits reduced Iran's access to new credit and contributed to a sharp decline in imports and growth.

Egypt continued to pursue its ambitious program of stabilization and structural reform. Growth of output remained below 1 percent in fiscal 1993, with only agriculture and construction showing signs of recovery; overall growth is expected to increase gradually to reach 4.3 percent in fiscal 1996.[12] Elsewhere in the Mashreq, Jordan's high rate of growth in 1992 carried over into 1993; GDP growth exceeded 6 percent. But, in contrast to 1992, when growth was largely concentrated in construction and domestic services, 1993 saw a more broadly based pattern of growth. In addition to construction, nonmineral exports, trade services, transportation, and tourism all recorded gains. Lebanon's reconstruction, supported by large private capital inflows, resulted in robust (7 percent) growth.

Economic reforms remain high on the agenda of most countries. Governments in

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[11] Algeria, Egypt, Iran, Jordan, Lebanon, Morocco, Tunisia, and Yemen.

[12] Egypt's fiscal year runs from July 1 to June 30.

Egypt, Iran, and Jordan continued to implement stabilization policies effectively. Morocco and Tunisia have moved from stabilization to longer-term macroeconomic management and structural reform. Algeria is implementing a stabilization program that is being supported by a one-year, $1 billion standby arrangement with the International Monetary Fund. Virtually all economies reduced their fiscal deficits, most notably in Egypt, where the deficit fell from 22 percent of GDP in fiscal 1991 to about 4.7 percent in fiscal 1993. Inflation was kept in check throughout the region; balance-of-payment deficits were reduced, and (with the exception of Iran) large movements in exchange rates were avoided. There were also encouraging signs that private sector activity is picking up—especially in Jordan, Lebanon, Morocco, and Tunisia. Increasing foreign direct investment (FDI) is playing an important role in this resurgence. FDI in 1992 almost doubled 1991's total due to an improved investment climate and was expected to reach $2 billion in 1993.

The historic signing of the peace accord between Israel and the Palestine Liberation Organization was the most significant political event in the region during the past fiscal year. The Bank has been a central player in providing technical assistance and aid coordination in support of the peace process (see Box 5-8).

Beyond the immediate impact of the accord on the Occupied Territories, the peace process—should it widen beyond its current scope—would have a number of important implications for future economic development in the region:

- Greater stability would likely increase trade flows, especially for Egypt, Jordan, Lebanon, and the Syrian Arab Republic. Stability will also favor inflows of private capital and private investments.
- The reduction in geopolitical tensions could allow governments to shift public resources away from military expenditures and place greater emphasis on sustainable economic growth, especially human resources development.
- The scope for regional economic cooperation could increase, especially in the areas of water management, the environment, and infrastructure.

Key Development Challenges

The ability of the region to realize the economic benefits of the evolving peace process will depend fundamentally on its capacity to meet three key development challenges: (a) restoring sustained growth; (b) developing human resources; and (c) managing scarce natural resources, especially water.

Restoring sustained growth. Following relatively good economic performance in the 1960s and 1970s, the 1980s and the first years of the current decade have been host to economic crisis, which has led to a drop in per capita incomes in most countries of the region. The crisis has been characterized by a deteriorating external economic environment, particularly the sharp drop in international oil prices, decreasing efficiency in the use of capital, low levels of private investment, and poor export performance. In many countries, GDP growth remains below the rate of population growth. This, in turn, is reflected in high and increasing rates of unemployment, which range from 15 percent in Tunisia and Morocco to 27 percent in Yemen. The consequences of past population growth will continue to be felt through large increases in the labor force. Levels of poverty are also related to growth and employment, a more equitable distribution of the benefits of economic growth, and targeted social safety net interventions. Countries, on the one hand, such as Morocco, which have achieved relatively high, sustained rates of growth, have also been able to reduce the number of poor (from an estimated 5.7 million people in 1985 to about 3.4 million in 1991). In Jordan, on the other hand, where economic growth has not been as sustained, the number of poor has not decreased.

To prevent further increases in unemployment and poverty, the region's economy must grow at about 5 percent per year and be accompanied by labor-intensive methods of production, including the promotion of small and medium-sized enterprises. Growth of that magnitude could be realized if rates of investment were to increase to around 25 percent of GDP (compared with an average of 20 percent now) and if the incremental capital-output ratio (ICOR) could be reduced to five from its current level of ten through increased productivity and labor-intensive production. A private sector-oriented growth strategy offers the best prospects of realizing increases in investment and improvements in the ICOR. Traditionally, countries of the region have relied more than other low-income and middle-income countries on public investment. Although the level of private investment nearly doubled between 1970 and 1990, it is still less than 10 percent of GDP (rates are well above the 15 percent mark in the high-performing countries of the East Asia and Pacific region). Moreover, the declining efficiency of investment is largely associated with the implementation of a public sector-led strategy. In most countries of the region, large but inefficient parastatal enterprises continue to dominate the economy.

Box 5-8. The World Bank and the Occupied Territories

The economies of the West Bank and Gaza (the Occupied Territories) are in a state of crisis, and a new course will have to be charted to ensure renewed growth and job-creation in the economic environment likely to be faced in the 1990s. Sustainable growth prospects are contingent on developing central institutions, rehabilitating and expanding infrastructure, attracting private investments, and building a financial sector. In addition, the new Palestinian self-governing authority must also develop a reformed legal system, enforce property rights, and collect taxes. The World Bank became involved in the Occupied Territories in early 1993, when it was invited by the European Community, the chair of the Economic Working Group, and other participants to prepare a series of reports on regional development with a special emphasis on the Occupied Territories. *Developing the Occupied Territories, an Investment in Peace*[1] was completed by the time of the historic handshake between Palestine Liberation Organization Chairman Yasir Arafat and Israeli Prime Minister Yitzhak Rabin, and it provided the basis for a meeting in October 1993 in Washington, D.C. of the donor community, at which $2.1 billion was pledged to rebuild the Occupied Territories. In that same month, the Bank approved the establishment of two trust funds aimed at providing urgent assistance to the West Bank and Gaza.

A $50 million trust fund, drawn from the IBRD's fiscal 1992 surplus and administered by IDA, is aimed at supporting an emergency rehabilitation program for Gaza. A separate $35 million trust fund aims to provide technical assistance and to finance feasibility studies in the Occupied Territories.

In the wake of the October meeting, the Bank has moved ahead on three fronts: donor coordination, institution building, and program development.

Donor coordination. Following the October donors' meeting, a consultative group meeting was convened in December to discuss and agree on the proposed emergency assistance to the Occupied Territories. When it became apparent that a significant proportion of assistance would have to be allocated to urgent recurrent expenditures of a start-up or transitional nature, the Bank was asked to prepare the groundwork for a second meeting of the group in January 1994. The meeting proved to be an unprecedented success in that substantial pledges were made for financing recurrent transitional and start-up expenditures—types of expenditures not normally funded by the donor community. Donors were also given the opportunity to contribute to a newly created Holst Peace Fund (named after the late Norwegian Minister of Foreign Affairs, Johan Holst), which would be administered by the Bank. The fund, which is short term in nature (disbursements are to be completed by around the end of calendar 1994), will finance items such as consumable health and education supplies and salaries of key Palestinian staff.

Institutional building. The Palestinian Eco-

Because the discrepancy between domestic levels of savings and investments is still large, external capital flows remain vital to the region. In Egypt, for example, investments equal about 18 percent of GDP, whereas savings amount to a mere 7 percent. Overall, savings for the region average about 18 percent of GDP, while investment is about 22 percent. If governments were to shift to a private sector-led growth strategy, an increasing share of external flows would be directed to the private sector. The potential exists in the region to increase private capital flows—not only through FDI and larger levels of workers' remittances but also through the reflow of assets held abroad. Improvements in macroeconomic management and in the investment climate, as well as progress in privatization, will play central roles in this process.

Developing human resources. In spite of impressive gains made in social indicators during the 1980s, many countries still lag behind other middle-income countries on all the basic indicators of educational achievement and health. Even in well-performing countries such as Tunisia and Morocco, the adult illiteracy rate is more than 10 percentage points higher than the average for all middle-income countries. The average infant mortality rate for the region is around 60 per 1,000 live births, compared with 38 for all middle-income countries. The average population growth for countries of the Middle East and North Africa is among the highest in the world: During the 1980s, the average annual rate of 3.2 percent was actually higher than in the 1970s. Further improvements in social indicators are key to the region's long-term development prospects. To achieve these improvements, additional efforts will be needed to expand and improve the quality of basic services. In most cases this would justify substantially increased budgetary allocations. There is also room to improve the internal efficiency of public social services, mobilize private financing, and encourage the private provision of social services.

Managing natural resources. Natural resource management is another pressing re-

nomic Council for Development and Reconstruction (PECDAR), organized by the Palestine Liberation Organization with the support of the donor community and the Bank, has been designated as the agency in charge of aid coordination and public investment programming during the peace process. To help support PEDCAR and the emerging Palestinian institutions, a wide-ranging program of technical assistance (about $40 million over three years) was tabled at the December meeting of the consultative group. This program, which consists of some 100 activities, is being coordinated in the context of the $35 million technical assistance trust fund, which has drawn cofinancing commitments from nine donors, with the prospects of additional cofinancing from five other donors.

Program development. **The Bank's report on developing the Occupied Territories recommended that a major investment program in Gaza and the West Bank be initiated over the next five years. Following agreement in May 1994 on the implementation of the Declaration of Principles between the Palestinians and the Israelis, the Bank released a report outlining a three-year $1.2 billion program to assist the Palestinians in the transition to autonomous rule.[2]**

The goal of the program is to rebuild the infrastructure of the Occupied Territories in order to stimulate economic growth by attracting private investment opportunities from expatriate Palestinians, international investors, and Arab states. The $1.2 billion is the initial installment of the $2.1 billion pledged over five years at the October 1993 conference (the pledges subsequently increased to $2.4 billion).

The first tangible result of the program was the approval in May 1994 of a $30 million Trust Fund for Gaza credit on IDA terms in support of an Emergency Rehabilitation Project, which has attracted $98 million in firm cofinancing commitments from the Arab Fund for Economic and Social Development ($30 million), the Saudi Fund for Development ($30 million), Denmark ($20 million), the Kuwait Fund for Arab Economic Development ($10 million), and Switzerland ($8 million). The project is financing the rehabilitation, reconstruction, and/or improvement of priority infrastructural services in the education, power, water supply and sewerage, and roads sectors. Technical assistance to help strengthen the capacities of municipalities in Gaza and the West Bank, to support the operations and development of PEDCAR and to ensure that the project is efficiently and effectively implemented, will also be provided. Project implementation is being supported by Bank staff through intensive field work in the Occupied Territories and from Washington.

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[1] World Bank. 1993. *Developing the Occupied Territories: An Investment in Peace.* Six volumes. Washington, D.C.

[2] World Bank. 1994. *Emergency Assistance Program for the Occupied Territories.* Washington, D.C.

gional issue, especially in the case of water. With a few exceptions, the region is moving toward a water crisis. Rainy seasons are short, and agriculture is heavily dependent on irrigation. Rapid population growth and urbanization have pushed demand for water to the point where withdrawals are exceeding replenishments. Few untapped sources of fresh water remain, and countries are increasingly mining groundwater aquifers. By the year 2000, withdrawals in most countries will exceed total freshwater potential. Competing demands from agriculture, industries, and municipalities dictate the need for appropriate demand-management policies—especially in the area of water pricing. But demand management alone cannot meet the full water requirements of burgeoning populations. Technological innovation and modern on-farm technologies, which, in several countries, have succeeded in halving water use while doubling yields, should complement demand-management policies. Alternative sources of water need to be explored, including desalination, wastewater treatment and reuse, and water imports. These are much more expensive than traditional sources, and research efforts designed to reduce costs, such as the desalination program recently embarked upon in Oman, need to be stongly suppported. Moreover, because many rivers and some important underground aquifers cross national boundaries, agreements at the national and transnational level will increasingly be required.

The Bank's Strategy for the Region

The World Bank's strategy for the Middle East and North Africa region emphasizes sustained commitment to operations and analytical work to promote employment-led growth, foster human resources development, and improve natural resource management. Increasing attention was devoted in fiscal 1994 to the important interrelationships among economic growth, human resources development, and poverty. While the thrust of the Bank's assistance strategies is aimed at the needs and constraints of individual economies, efforts to promote regional cooperation in areas such as environmental protection and water-resource management are becoming increasingly important.

Stabilization and structural reform also remain high on the Bank's agenda for the region. In Morocco and Tunisia—which are well advanced in stabilizing their economies and are continuing to undertake structural reforms—the Bank's focus has shifted from stabilization to long-term development. Agricultural sector loans to the two countries that were approved during the past year are emblematic of this shift. Jordan and Egypt are also steadily proceeding on the path of reform. In Egypt, reform is being advanced by the Bank's support for the second phase of the government's Economic Reform and Structural Adjustment Program, which provides the framework for continued economic reform, even though it is not associated with a specific lending operation. In Jordan, an $80 million energy-sector loan, approved in fiscal 1994, aims at addressing supply-side constraints to growth.

Improvements in the structure of incentives, the regulatory framework, and protection of property rights are needed in many countries of the region to provide the private sector with the environment required for increased levels of job-creating investment. During the past year, the Bank addressed private sector development in a variety of ways. In Tunisia, for instance, financial sector reforms were supported through a private investment project that uses a number of financial institutions to provide long-term credit at market terms to a broad range of private investors. Private sector assessments, which analyze the structure of, and constraints to, the private sector in given countries and which lay out concrete steps that can be taken to advance private sector development, were carried out for Egypt, Morocco, and Tunisia. The Morocco assessment was the centerpiece of a high-level seminar at which the private and public sectors produced an agenda of recommended actions to promote private sector development. Together with the govern-

***Table 5-18.* Lending to Borrowers in Middle East and North Africa, by Sector, 1985–94**
(millions of US dollars; fiscal years)

Sector	Annual average, 1985–89	1990	1991	1992	1993	1994
Agriculture	374.6	129.0	13.2	299.2	463.0	601.7
Energy						
Oil and gas	3.5	—	84.0	160.0	—	80.0
Power	104.8	15.5	114.0	220.0	165.0	—
Environment	—	—	—	—	—	6.0
Human Resources						
Education	122.2	30.5	241.4	75.0	115.2	33.0
Population, health, and nutrition	11.9	119.0	245.0	26.8	188.0	—
Social sector	—	—	—	—	—	—
Industry and Finance						
Industry	18.8	99.5	365.0	—	—	—
Finance	106.6	196.0	235.0	—	—	120.0
Infrastructure and Urban Development						
Telecommunications	36.8	—	—	—	100.0	20.0
Transportation	113.4	79.0	162.0	—	35.0	—
Urban development	32.5	105.5	250.0	110.0	684.0	—
Water supply and sewerage	167.1	12.0	—	57.0	—	270.0
Mining and Other Extractive	11.6	25.0	—	—	—	—
Multisector	118.0	450.0	310.0	525.0	—	—
Public Sector Management	5.5	130.0	—	9.0	—	19.9
Tourism	—	—	—	—	130.0	—
Total	1,227.3	1,391.0	2,019.6	1,482.0	1,880.2	1,150.6
Of which: IBRD	1,180.8	1,323.5	1,784.0	1,324.0	1,756.4	1,050.6
IDA	46.7	67.5	235.6	158.0	123.8	100.0
Number of operations	21	20	20	17	19	16

NOTE: Details may not add to totals because of rounding.
— Zero.

***Table 5-19*. World Bank Commitments, Disbursements, and Net Transfers in Middle East and North Africa, 1990–94**
(millions of US dollars; fiscal years)

	Egypt			Algeria			Morocco			Total region		
Item	start 1994	1994	1990–94	start 1994	1994	1990–94	start 1994	1994	1990–94	start 1994	1994	1990–94
Undisbursed commitments	1,134			1,474			1,579			6,218		
Commitments		121	1,290		140	1,484		412	2,395		1,151	7,924
Gross disbursements		183	767		198	1,353		311	1,894		1,057	5,921
Repayments		199	977		189	806		292	1,230		964	4,343
Net disbursements		−16	−210		9	547		19	664		92	1,578
Interest and charges		120	657		114	498		264	1,212		730	3,321
Net transfer		−136	−867		−105	49		−245	−548		−638	−1,743

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

ment and the private sector, the Bank is developing an operation to support this agenda.

Human resources development also features prominently in the Bank's operations and sector work. Strategies are molded to the specific needs of individual countries. For example, basic educational services are being supported through an education project approved during the year in Yemen. The Bank's analytical work is also focusing increasingly on the human resources sectors. In Morocco, for example, issues in education were addressed through a literacy and schooling study and through a review of the costs and financing of the education sector, and a nutrition strategy was developed to deal with pertinent health issues. In Tunisia, an analysis of the issues facing post-basic education and training was prepared on the basis of field work and subsequent analysis carried out by national teams. This joint approach is expected to result in strong country ownership of the study's conclusions.

Environmental issues are being addressed at both the country and regional levels. At the country level, environmental studies and strategies have been completed for Algeria, Egypt, Iran, and Yemen. Specific operations, such as water-supply projects in Algeria and Morocco, dealt directly with pressing water problems. The Morocco Environment Technical Assistance Project was the Bank's first stand-alone lending operation in the region to focus primarily on environment planning and management. In Egypt, three projects related to the country's national environmental action plan, which was jointly prepared and endorsed by ten external donors, are currently in the Bank's lending program. At the regional level, cooperative action continued in the context of the Mediterranean Environmental Technical Assistance Program (METAP), which is jointly sponsored by the European Commission of the European Union, the European Investment Bank, the United Nations Development Programme, and the World Bank. Under the first phase of this program, more than twenty transnational and country-specific projects have been prepared in the areas of water-resource management, hazardous waste management, marine oil and chemical-pollution prevention and control, and coastal zone management. The program has also helped to create important networks of concerned national institutions.

Poverty was the focus of both analytical work and operations. Three poverty assessments, which provide the basis for a collaborative approach to poverty reduction by country officials and the Bank, illustrate the extent to which economic growth has a noticeable effect on poverty reduction. These assessments, for Egypt, Jordan, and Morocco, are also providing the analytical basis for improving public spending in the social sectors and putting in place more effective social safety nets. The poverty assessment for Egypt served as the basis for ongoing reforms in health, human resources development, as well as for improvements in the social safety net and in the pension scheme. The deficiencies in social indicators highlighted by the poverty assessment for Morocco are being addressed in a series of social priorities projects currently under preparation. Targeted poverty-reduction interventions are critical components in the Northwest Mountainous Areas Development Project in Tunisia, as well as in the National Rural Finance Project in Morocco, which also has a component designed to funnel credit to women.

In infrastructure, Bank lending continues to focus on removing key constraints and creating an enabling environment for private sector participation. The Telecommunications Project in

Young workers in Egypt lay drainage pipes in a waterlogged field near their village.

Jordan, for example, supports the creation of a new sector policy and telecommunications law in addition to providing for service improvements. Supported by an expanded cofinancing operation, the Bank is helping the Jordan Telecommunications Corporation in raising private funds to commercialize, corporatize, and subsequently privatize its operations.

From Strategy to Implementation

Implementation of the Bank's operational strategy has emphasized the ability to respond quickly to changing economic and political circumstances. Total staff resources in fiscal 1994 increased modestly above the levels of the previous two fiscal years to accommodate the new challenges of work on the Occupied Territories. Within the total, however, a marked redeployment of staff has taken place to improve portfolio implementation, and significant reallocations continued to be made across countries in light of evolving circumstances. Thus, reductions in programs in some countries of the region allowed additional resources to be committed to the work on the Occupied Territories. The Bank has reacted quickly and flexibly to emerging needs: Assistance to the Occupied Territories was characterized by both flexibility and innovation; in Lebanon, the focus of the Bank's assistance strategy was on reconstruction, while the Emergency Desert Locust Control Project in Algeria provided a quick response (it was appraised in October 1993 and approved in early December) to the challenge of incipient natural disaster.

Efforts continued to improve portfolio management and project quality by:

- Linking the lending program, project design, and portfolio performance explicitly through the conduct of thorough country portfolio-performance reviews (CPPRs) and reflecting the outcome of those reviews in country-assistance strategies;
- Undertaking additional initiatives to improve project quality at entry by involving the technical department and relevant central vice-presidential units in project design and by explicitly linking project content to well-articulated sectoral strategies;
- Increasing high-level managerial review of portfolio performance and recognizing excellence in portfolio management;
- Simplifying business processes to improve accountability and encourage initiative; and
- Increasing supervision efforts. In the case of Egypt, for example, where supervision work is increasingly being delegated to the Bank's resident mission, the direct supervision input per project increased from 14.6 staffweeks in fiscal 1992 to 16.2 staffweeks in fiscal 1993.

CPPRs have now been carried out for all major borrowing countries and are on an annual cycle. These efforts to link portfolio performance and country strategy are already having an effect on the volume, structure, and design of lending programs in the region. For example, the country-assistance strategy for Egypt was revised during the year to reflect major changes in project identification and development processes resulting from agreements with the government reached during the country-portfolio review.

Summaries of Projects Approved for IBRD, IDA, and Trust Fund for Gaza Assistance in Fiscal 1994

Acronyms and Abbreviations Used in This Section

ACBF—Africa Capacity Building Foundation
ADF—African Development Fund
AfDB—African Development Bank
AGCD—Administration Générale de la Coopération Belge
AFESD—Arab Fund for Economic and Social Development
AsDB—Asian Development Bank
BADEA—Arab Bank for Economic Development in Africa
BITS—Swedish Agency for International Technical and Economic Cooperation
BOAD—Banque Ouest-Africaine de Développement
CDB—Caribbean Development Bank
CFD—Caisse française de développement
CIDA—Canadian International Development Agency
DANIDA—Danish International Development Agency
EBRD—European Bank for Reconstruction and Development
EU—European Union
ECO—Expanded cofinancing operation
EDF—European Development Fund
EIB—European Investment Bank
FAC—Fonds d'aide et de coopération
FINNIDA—Finnish International Development Agency
GEF—Global Environment Facility
IBRD—International Bank for Reconstruction and Development (World Bank)
IDA—International Development Association
IDB—Inter-American Development Bank
IFAD—International Fund for Agricultural Development
IMF—International Monetary Fund
IsDB—Islamic Development Bank
JExIm—Export-Import Bank of Japan
JICA—Japan International Cooperation Agency
KFAED—Kuwait Fund for Arab Economic Development
NDF—Nordic Development Fund
NORAD—Norwegian Agency for Development Cooperation
ODA—Overseas Development Administration
OECF—Overseas Economic Cooperation Fund
OPEC—Organization of the Petroleum Exporting Countries
PHARE—Pologne-Hongrie: aide à la réconstruction économique
SDC—Directorate for Development Cooperation and Humanitarian Aid (Switzerland)
SFD—Saudi Fund for Development
SIDA—Swedish International Development Authority
UNDP—United Nations Development Programme
UNICEF—United Nations Children's Fund
USAID—United States Agency for International Development
WFP—World Food Programme

Agriculture

ALGERIA: IBRD—$30 million. Attempts to thwart a locust plague, forecast for late 1993 and early 1994, will be made through truck-and-airplane applications of pesticides, and the country's existing locust surveillance and monitoring systems will be upgraded, thus facilitating planning and implementation of future control programs in situations of both plague and recession. Total cost: $51.2 million.

BELARUS: IBRD—$41.9 million. Forestry resource management will be improved and medium-term strategic resource management plans developed; the decline in timber harvest will be reduced through the import of spare parts; and the establishment of private sector harvesting, transport, and other services to the sector promoted. Technical assistance is included. Total cost: $54.7 million.

NOTE: Data used in this section have been compiled from documentation provided at the time of project approval. Projects marked by an asterisk (*) are included in the Program of Targeted Interventions, and those marked with a pound sign (#) are poverty-focused adjustment operations. Projects marked by a dagger (†) included the participation of primary stakeholders.

†*BENIN: IDA—$9.7 million. The government will be assisted in alleviating poverty and improving food security and nutrition standards for vulnerable groups in about twenty areas of the country through a project that helps finance community-development initiatives, income-generating activities, micro-infrastructure, nutrition activities, and institution-building assistance. Cofinancing is expected from DANIDA ($4.9 million) and the WFP ($700,000). Total cost: $19.1 million.

†BHUTAN: IDA—$5.4 million. The government's efforts to develop and implement an approach for sustainable protection, management, and use of its forest resources will be supported through a project that will help finance a comprehensive program of activities for forest-resource development in eastern Bhutan, with maximum participation of forest users. Cofinancing ($2.7 million) is being provided by the SDC. Total cost: $8.9 million.

BULGARIA: IBRD—$50 million. Access of the private sector to medium-term and long-term credit for investments in primary agriculture and agribusiness will be improved through provision of foreign exchange resources to participating financial intermediaries. Total cost: $63.4 million.

CHINA: IBRD—$460 million. Through the construction of the 154-meter high Xiaolangdi rockfill dam and a power station with an installed capacity of 1,800 mW, flood protection will be provided for 103 million people in the North China plain, sediment accretion in the lower reaches of the Yellow river will be controlled for some twenty years, hydropower will be generated, irrigation water supplied for about 2 million hectares, and a stable water supply furnished for downstream cities and industries. Total cost: $2,294.7 million.

†CHINA: IDA—$205 million. The living standards of more than a half million farm families living in the Songliao plain area of Liaoning and Jilin provinces are expected to increase as a result of a project that will expand irrigation and drainage facilities, develop marginal lands for orchards, develop aquaculture infrastructure, and invest in agroprocessing facilities. Total cost: $382.3 million.

†CHINA: IDA—$200 million. The productivity of forest resources, the efficiency of resource use, and the institutional capacity for sustainable management in the three major types of forest land in the country—plantations, watershed-protection forests, and nature reserves—will be enhanced. Cofinancing ($18.4 million) is expected from the GEF. Total cost: $356 million.

†CHINA: IDA—$150 million. The per capita incomes of some 67,000 households living in resource-constrained remote upland areas of Zhejiang, Fujian, and Jiangxi provinces are expected to triple as a result of a second project supporting the integrated development of paddy, upland, and forest areas. Total cost: $296.4 million.

†*CHINA: IDA—$150 million. Agricultural production will increase on more than 15,000 square kilometers of land in the Loess plateau watershed and incomes raised for the more than 1 million people in the project area by creating sustainable crop production on high-yielding level farmland and replacing areas devoted to crops on erodible slope lands with plantings to a range of trees, shrubs, and grasses for land stabilization and the production of fuel, timber, and fodder. Total cost: $248.7 million.

†CHINA: IDA—$110 million. One hundred fifty-four thousand people directly affected by the construction of the Xiaolangdi dam will be resettled and their livelihoods both restored and improved through the reconstruction of villages and towns, development of agricultural land, relocation of small industries and commercial enterprises, and the establishment of new county, township, and village industries. In addition, income opportunities for about 300,000 people in the host areas receiving the resettlers will be expanded. Total cost: $571.3 million.

†*COLOMBIA: IBRD—$39 million. The first phase of a long-term Natural Resource Management Program—designed to develop policies and mechanisms to help arrest the degradation of natural renewable resources—will be implemented in the Choco region, which has a 90 percent African-Colombian and indigenous population and a high incidence of poverty. The project will thereby generate the policy, institutional, and technical base for future forest management and land-titling investments in the Choco region. Total cost: $65.3 million.

†COTE D'IVOIRE: IDA—$21.8 million. The first phase of a five-year program designed to support, through improved research and extension, the generation, dissemination, and adoption of environmentally sound

technology required to sustain productivity gains in agriculture, will be supported. Institution-building assistance is included. Cofinancing is anticipated from the CFD ($5 million), the AfDB ($2.3 million), IFAD ($1.9 million), the UNDP ($700,000), and the AGCD ($500,000). Total cost: $44.6 million.

COTE D'IVOIRE: IDA—$2.2 million. Through the rehabilitation and development of rural savings and loan cooperatives, rural dwellers will be provided with much needed deposit-safekeeping services and access to short and medium-term financing for productive and social expenses, thereby improving rural incomes and living conditions and reducing poverty. Institution-building assistance is included. Cofinancing is expected from the CFD ($6.5 million), CIDA ($3.5 million), and the FAC ($2 million). Total cost: $15.8 million.

*ECUADOR: IBRD—$20 million. The government will be assisted in undertaking the process of modernization of the irrigation subsector through the provision of technical assistance (public institutional strengthening and reform, private sector development, and preparation of a public sector irrigation-investment plan). In addition, poor farmers will be helped through pilot irrigation projects. Total cost: $25.5 million.

†EGYPT: IBRD—$54 million; IDA—$67 million. An agriculture-modernization project will be supported through provision of financing and advisory services to farmers and rural entrepreneurs, development of competition in the rural financial market, and the launching of pilot efforts in administrative reform and institutional development. Total cost: $268.8 million.

†*GHANA: IDA—$21.5 million. Through the financing of investments for the benefit of rural communities (small water schemes, rural markets, market-access roads, storage and food-processing facilities) and provision of technical assistance by the local private sector, agricultural production is expected to increase, agricultural marketing made more efficient, rural associations strengthened, and vulnerable groups helped through increased income and food security. Total cost: $25.4 million.

GHANA: IDA—$5.7 million. Funds from IDA reflows will be provided to supplement the agriculture-sector adjustment credit, approved in fiscal 1992 in the amount of $80 million.

GUYANA: IDA—$15 million. By financing a limited capital-investment program, current levels of sugar production at the Guyana Sugar Corporation (GUYSUCO) will be ensured and the operation of the country's sugar industry stabilized; at the same time, technical assistance will be provided to help GUYSUCO restructure itself and prepare for eventual privatization. Cofinancing is expected from the CDB ($3 million) and suppliers' credits ($1.9 million). Total cost: $40.5 million.

#†HONDURAS: IDA—$60 million. The government's medium-term Agricultural Sector Modernization and Development Program, designed to improve land use, lay the basis for a sustainable management of the country's rich forest resources, eliminate distortions that affect smallholder farmers, and help improve sector planning and coordination, will be supported. Cofinancing, in the amount of $50 million, is anticipated from the IDB.

HONDURAS: IDA—$27.9 million. Funds from IDA reflows will be provided to supplement the agriculture-sector adjustment credit, approved in fiscal 1994 in the amount of $60 million (see above).

†*INDIA: IDA—$258 million. Through support for the water-resource development program of Haryana state, agricultural productivity will be enhanced and environmental sustainability assured; civil works will also generate employment and increase incomes for the landless poor and marginal farm families. Total cost: $483.4 million.

†*INDIA: IDA—$77.4 million. About 700,000 households of fringe forest dwellers and small farmers, including about 150,000 tribal households, are expected to benefit directly from a project designed to improve management and protection of nearly 400,000 hectares of land in Andhra Pradesh state and directly or indirectly increase the production of wood, nontimber forest products, and animal products. In addition, forest-sector policies will be streamlined and strengthened so as to reverse the process of forest degradation. Total cost: $89.1 million.

†INDIA: IDA—$47 million. The capacity of national and state institutions to plan and undertake priority forestry research programs, to improve the system of forestry education in research and academic institutions, and to improve the extension of research findings will be strengthened. Total cost: $56.4 million.

†INDONESIA: IBRD—$165.7 million. More than a million farm families are expected to benefit from a project that has been designed to create the framework for integrated water-resources management, increase rice production on Java, and protect existing irrigation infrastructure from deterioration while relieving the government of responsibility for a large number of small irrigation schemes. Total cost: $304 million.

†*INDONESIA: IBRD—$65 million. About 32,000 poor farm families are to benefit from a project that will further develop twenty reclaimed swampland schemes in Sumatera and Kalimantan. Technical assistance and training are included. Total cost: $106 million.

INDONESIA: IBRD—$55 million. The risk of dam failures will be reduced through the establishment of dam-safety institutions, the provision of basic safety facilities at existing dams where such facilities are lacking, and the implementation of remedial works at dams with safety deficiencies. Total cost: $97.4 million.

†*LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$8.7 million. The government will be helped in implementing a new resource-management system, which concentrates on poor forest dwellers, in order to better achieve the sustainable management and conservation of the country's forest resources. Cofinancing is anticipated from FINNIDA ($5.6 million) and the GEF ($5 million). Total cost: $20.3 million.

LATVIA: IBRD—$25 million. Private agricultural development will be supported by providing initial investment credits to new private farmers and for the expansion and technological upgrading of private agroindustries and forest-based industries. Technical assistance is included. Cofinancing, totaling $4.9 million, is expected from the PHARE and BITS. Total cost: $45.1 million.

†*LEBANON: IBRD—$57.2 million. Some 34,000 farm families are expected to benefit from a project that seeks to increase agricultural production and agriculture-based income and employment in previously neglected poor rural areas through the rehabilitation and adequate operation and maintenance of surface-irrigation infrastructure. In addition, basic public support services will be provided. Total cost: $70.5 million.

†*MALAYSIA: IBRD—$70 million. The productivity and incomes of about 150,000 rubber smallholders—the country's largest poverty group—will increase through a project that will help finance the second phase of a rubber-replanting scheme. Institution-building assistance is included. Total cost: $253.2 million.

MALI: IDA—$20 million. Finance will be provided to help implement the first six-year phase of the Institut d'Economie Rurale's strategic plan for national agricultural research, whose principal objective is to ensure that adequate technology will become available to farmers as a means to increase agricultural growth and to reverse the decline in the productive capacity of the natural resource base. Cofinancing is expected from USAID ($23.3 million), the Netherlands ($13.8 million), France ($3.4 million), the UNDP ($250,000), and Switzerland ($234,000). Total cost: $111.7 million.

†MAURITANIA: IDA—$18.2 million. The first five-year time slice of a long-term national program to upgrade the provision of agricultural services nationwide, focusing on strengthening the linkages among extension, research, and agricultural training, will be supported. Total cost: $19.8 million.

†MEXICO: IBRD—$200 million. Some 42,000 farmers residing in fourteen irrigation districts, whose management responsibility was transferred from the National Water Commission to water-user organizations, will be assisted in completing the transfer process. In addition, minor irrigation-network and on-farm improvements will be financed. Total cost: $568.8 million.

MOROCCO: IBRD—$121 million. Selected investments in the budget of the Ministry of Agriculture will be financed, and reforms designed to improve the efficiency of investments or operations in the sector will be supported. Cofinancing ($113 million) is being provided by, among others, France, Germany, the EU, the AfDB, and IFAD. Total cost: $993 million.

*MOROCCO: IBRD—$100 million. Finance will be provided to support the continued financing of the core activities of the National Agricultural Credit Bank as well as its diversification into a more universal bank, still geared to rural finance (and thereby the poorer population), but with a broader portfolio and resource base. Institution-building measures are included. Cofinancing is expected from the OECF ($95 million), the EIB ($60 million), the AFESD ($60 million), Germany ($34 million), and the CFD ($30 million). Total cost: $1,150 million.

†MOROCCO: IBRD—$25 million. Agricultural production on about 200,000 farms is expected to increase as a result of a project that will provide for technology transfer to farmers in irrigated as well as adjacent rainfed areas, support services, and promotion of farmer organizations. Technical assistance is included. Total cost: $34.7 million.

†NICARAGUA: IDA—$44 million. Some 50,000 small and medium-scale farmers are to benefit from a project that seeks to "jump-start" the agricultural sector by introducing a new demand-driven approach to technology generation and transfer and by supporting the required technological and institutional framework for defining and ensuring property rights to land. Cofinancing ($4.5 million) is expected from the SDC. Total cost: $57.8 million.

POLAND: IBRD—$146 million. The government's program designed to improve forest-management practices will be supported, thereby ensuring the protection and expansion of the country's forest ecological capital, providing for social benefits, and accommodating sustainable forestry. Cofinancing ($15 million) has been secured from the EIB, while $26.9 million is being sought from bilateral agencies. Total cost: $335.4 million.

†RUSSIA: IBRD—$240 million. Critical agricultural support services—focusing on the enabling policy environment for private sector participation in seed and market development, a nationwide market-information system, and farmer information and advisory services—will be created and strengthened. Total cost: $325 million.

RUSSIA: IBRD—$80 million. The implementation of the government's land-reform program will be assisted through the creation and strengthening of infrastructure and institutional capacity for land registration. Total cost: $115 million.

RWANDA: IDA—$15 million. Through development and implementation of a program of institutional reforms, the quality, relevance, and accountability of priority agricultural research programs will be improved. Cofinancing, totaling $11.5 million, is expected from Canada, France, Germany, Switzerland, the EU, and IFAD. Total cost: $36.5 million.

TANZANIA: IDA—$24.5 million. The functions of the Ministry of Agriculture will be rationalized and strengthened, its institutional capacity to formulate and implement policies built up, and its capacity to produce reliable information on crop and livestock production and productivity, as well as on marketing and trade, will be strengthened, rationalized, and expanded. Total cost: $27.2 million.

†TUNISIA: IBRD—$120 million. Priority investments—in water mobilization and use efficiency, natural resource conservation, animal health and production, and land consolidation—linked to policy reforms through a government-prepared development action plan will be supported. Institution-building assistance is included. Total cost: $211 million.

†*TUNISIA: IBRD—$27.5 million. Living conditions of the population of the impoverished mountainous northwest region will be improved by promoting measures to increase farm productivity and off-farm income-supporting activities, implementing watershed and rangeland management measures, and providing basic infrastructure and social services. Institution-building assistance to the executing agency and village committees is included. Total cost: $50.7 million.

†UGANDA: IDA—$14 million. The government's strategy to revive cotton production and exports through increased competition in cotton processing and marketing and improved supporting services will be assisted. Cofinancing ($12.5 million) is anticipated from IFAD. Total cost: $31.4 million.

†URUGUAY: IBRD—$41 million. A soil and water-management strategy—focused on rehabilitation and development of irrigation/drainage schemes and related service infrastructure, improvements in the efficiency of surface and groundwater use, establishment of a well-balanced operation and maintenance and capital cost-recovery policy, and support for water and soil management and conservation—will be developed and implemented. Technical assistance is included. Total cost: $74 million.

†*VIET NAM: IDA—$96 million. The incomes of some 50,000 smallholder farm families are expected to increase through provision of supervised credit, extension, and plant-protection services supported by research. In addition, the first steps toward encouraging smallholder rubber development will be taken by rehabilitating existing state-owned estates, which will form the nucleus of the program. Technical assistance is included. Total cost: $106.7 million.

Education

ALBANIA: IDA—$9.6 million. Damaged and dilapidated primary school facilities will be rehabilitated, and the capacity of the Ministry of Education to stimulate efficient use of fiscal resources and assure quality of learning outcomes strengthened. Total cost: $11.3 million.

*BARBADOS: IBRD—$7.8 million. The country's human-capital base will be solidified and the unemployed and less able students helped by strengthening the quality and efficiency of basic education; improving the effectiveness, efficiency, and responsiveness of technical and vocational education; and by reinforcing employment services and labor-market information. Total cost: $15.6 million.

†*BENIN: IDA—$18.1 million. A third education project seeks to increase the access to primary schools, with a specific emphasis on girls' participation at both the primary and secondary levels; improve the quality and internal efficiency of primary and secondary education; and strengthen sector institutional capacity. Total cost: $22.9 million.

*BRAZIL: IBRD—$206.6 million. The quality of schooling for approximately 3 million children a year in the first four grades of state and municipal primary schools in five northeastern states will be improved, thus contributing to reducing grade repetition, raising student achievement, and increasing attainment. Total cost: $366.9 million.

†*BRAZIL: IBRD—$150 million. The quality of schooling for approximately 3 million primary school children in Minas Gerais state will be improved through a project that will support policy improvements, finance educational inputs, and increase teachers' access to training opportunities. Total cost: $302 million.

†*BRAZIL: IBRD—$96 million. Educational attainment in the state of Paraná, as defined by increases in student learning and graduation from primary school, will be improved through the delivery of a package of essential educational inputs to primary schools and improvements in educational management. Total cost: $198.4 million.

†*COLOMBIA: IBRD—$90 million. Implementation of the government's higher education strategy, which centers on cofinancing educational investments with the departments and municipalities and supporting the municipalization of education by building local capacity for planning, cofinancing, and project execution, will be supported. In addition, access to secondary education by the poor will be increased through implementation of a voucher program. Total cost: $150 million.

COTE D'IVOIRE: IDA—$100 million. Supplementary funds will be provided to help finance the Human Resources Development Program, approved in fiscal 1992. (An amount equivalent to $100 million on an IBRD loan that was approved to help finance the same program has been canceled.)

COTE D'IVOIRE: IDA—$85 million. Funds from IDA reflows will be provided to help supplement the Human Resources Development Program, approved in fiscal 1992 in the amount of $150 million.

†*COTE D'IVOIRE: IDA—$17 million. By supporting governmental efforts in three areas—training, retraining, and apprenticeship; training outreach support; and labor-market monitoring and analysis—and by emphasizing the informal sector and women's enterprises, labor productivity and employability will be enhanced, thereby improving the country's economic competitiveness. Total cost: $19.5 million.

INDONESIA: IBRD—$58.9 million. The quality of graduate education will be improved through the improved planning and management of graduate education and university research and support for selected competitive grant and fellowship programs. Total cost: $97.6 million.

INDONESIA: IBRD—$27.7 million. Innovative industrial skills-training schemes within private enterprises will be developed and implemented in three provinces (West Java, East Java, and North Sumatera) for possible replication elsewhere, and a special training program for unemployed university graduates in those provinces, as well as in South Sulawesi and Bali, will be supported. Institution-building assistance to the Ministry of Manpower is included. Total cost: $39.7 million.

KENYA: IDA—$42.2 million. Funds from IDA reflows will be provided to supplement the education-sector adjustment credit, approved in fiscal 1992 in the amount of $100 million.

†*KENYA: IDA—$21.8 million. The potential for employment creation in the informal sector will be increased through a project that seeks to diversify and improve public and private sector training capacity, stimulate information exchange and

innovation in product development, and develop a new partnership between the public and private sector guaranteeing the full participation of informal sector entrepreneurs and workers in training and technology policy. Total cost: $24.2 million.

KOREA, REPUBLIC OF: IBRD—$190 million. Policy improvements in science and technology education will be implemented, and educational quality in selected private universities and junior technical colleges upgraded through the provision of specialized laboratory and workshop equipment. Total cost: $324.8 million.

†*MEXICO: IBRD—$412 million. Primary school students' academic achievement levels will be improved and high repetition and dropout rates reduced in ten of the country's poorest states through the training of teachers and school administrators, provision of classroom-tested educational materials, and the strengthening of the institutional capacity of the education system. Total cost: $616.7 million.

NEPAL: IDA—$20 million. The first phase of Tribhuvan University's ongoing reform process will be supported by helping finance the implementation of a package of policy changes, including the initiation of systemic changes in the university's administrative, financial, and management processes. Total cost: $23.1 million.

†*NIGER: IDA—$41.4 million. Sector reforms, designed to promote more cost-effective use of public education resources, will be supported, and the access to and quality of primary education will be improved through constructing or rehabilitating classrooms, developing and implementing a program to accelerate girls' education, improving the quality of primary school teachers' training programs, provision of textbooks, and support for a micronutrients program. Cofinancing is expected from Germany ($10.2 million) and Norway ($4.8 million). Total cost: $76 million.

†*PAKISTAN: IDA—$200 million. The country's broad-based Social Action Program, designed to expand and improve primary education, primary health care, family-planning services, and rural water-supply and sanitation investments, will be supported. Cofinancing is anticipated from the AsDB ($100 million) and the Netherlands ($13 million), while other contributions are being explored. Total cost: $4,020 million.

ROMANIA: IBRD—$50 million. The quality of basic and secondary education will be improved by strengthening curriculum and teacher training, assessment and examinations, and textbook quality. In addition, measures to increase efficiency in the management of public resources for education will be developed and introduced. Total cost: $73.5 million.

†*URUGUAY: IBRD—$31.5 million. The quality, equity, and efficiency of the primary education system will be improved. In addition, the quality of preschool education will be enhanced, as well as expanded into areas with unsatisfied basic needs. Institution-building measures are included. Total cost: $45 million.

†*VENEZUELA: IBRD—$89.4 million. The government will be assisted in raising the level of student achievement, reducing the incidence of repetition and dropout, and increasing graduation rates of basic education through improvements in the quality of education and administrative efficiency, particularly in rural and poor urban areas. Total cost: $178.9 million.

*VIET NAM: IDA—$70 million. The Bank's first project in the country since 1978 seeks to improve the quality and relevance of primary education (especially in rural areas and for ethnic minorities), rehabilitate existing infrastructure, extend access through the construction of a limited number of new classrooms, and strengthen the management of primary education at the school, district, provincial, and national levels. Total cost: $78 million.

†YEMEN: IDA—$33 million. Secondary students' learning achievements will be enhanced through reduction of classroom overcrowding, provision of science equipment, and improved teacher performance; female access to secondary education will be increased through provision of school places for 5,000 girls, incentive programs to recruit female headmasters, and specialized home-based learning programs; and two-year post-secondary programs, oriented toward labor-market needs, will be established. Cofinancing is expected from the OPEC Fund for International Development ($8 million). Total cost: $49.7 million.

Environment

CHINA: IBRD—$160 million. An investment program of environmentally oriented capital works and related institutional strengthening—designed to provide safe drinking water while improving water quality in the Huangpu river—will be financed. Total cost: $456.6 million.

THE GAMBIA: IDA—$2.6 million. Technical assistance will be provided to the National Environment Agency and other relevant agencies to build up the capacity to develop and guide an effective system for environmental planning and management and to ensure that environmental concerns are fully integrated and reflected in the country's social and economic development process. Cofinancing ($1.3 million) is expected from Germany. Total cost: $4.5 million.

†*INDONESIA: IBRD—$56.5 million. Through provision of institutional strengthening measures designed to improve the guidelines and policies of the national "regreening and reforestation" (r&r) program, the introduction of improved farming systems in a priority watershed in West Java, and investment support for the national r&r program, the living standards of poor, upland farmers will be raised, the productive potential of their resource base restored, watershed environmental quality enhanced, and downstream watershed resources protected. Total cost: $487.8 million.

KOREA, REPUBLIC OF: IBRD—$90 million. The ability of selected national research institutes to identify and adequately address environmental issues and to undertake environmental research and development activities will be strengthened. Institution-building assistance to the Ministry of Environment is included. Total cost: $156 million.

†MEXICO: $368 million. About fifteen subprojects in five or six cities bordering on the United States in the areas of water treatment and sanitation, solid waste management, and air quality and urban transport will be financed so as to improve environmental quality. Institutional strengthening measures are included. Total cost: $762 million.

MOROCCO: IBRD—$6 million. The government will be assisted in strengthening its institutional and regulatory framework for managing environmental protection. Total cost: $10.8 million.

†PAKISTAN: IDA—$14.7 million. The first phase of a long-term program to improve Balochistan's environmental protection and natural resource management will be supported through institutional strengthening and investments in natural resource-rehabilitation subprojects. Total cost: $17.8 million.

†*PARAGUAY: IBRD—$50 million. This first-phase initiative to alter radically the use of natural resources in agriculture, particularly by small-scale farmers—from extensive expansion to growth through intensification, with emphasis on sustainable resource management and environmental protection—will be supported. Total cost: $79.1 million.

Financial Sector

ARGENTINA: IBRD—$500 million. Capital-market development will be accelerated through the introduction and consolidation of the necessary capital-markets infrastructure, which, along with developing indigenous skills, can produce a sustainable and orderly national market.

ARGENTINA: IBRD—$8.5 million. Technical assistance will be provided to help facilitate the implementation of the IBRD-assisted capital-market development project (see above) by supporting the creation of new institutions and the strengthening of others and by ensuring the development of more effective capital-market regulations. Total cost: $10.2 million.

CARIBBEAN DEVELOPMENT BANK: IBRD—$20 million; IDA—$11 million. Funds will be onlent by the CDB to IBRD and IDA-eligible Commonwealth Caribbean countries to finance the types of projects the World Bank would finance. Total cost: $68 million.

COLOMBIA: IBRD—$30 million. Wide-ranging improvements in the management of public finances, from revenue generation to the evaluation of public policies, will be made, thereby increasing public revenues, reestablishing public confidence in government and public administration, and contributing to an overall institutional environment conducive to private-sector initiatives and development. Total cost: $58 million.

COTE D'IVOIRE: IDA—$100 million. Supplementary funds will be provided to help finance the Financial Sector Adjustment Program, approved in fiscal 1992. (An amount equivalent to $100 million on an IBRD loan that was approved to help finance the same program has been canceled.)

COTE D'IVOIRE: IDA—$50 million. Supplementary funds will be provided to help finance the Competitiveness and

Regulatory Reform Adjustment Program, approved in fiscal 1992. (An amount equivalent to $50 million on an IBRD loan that was approved to help finance the same program has been canceled.)

KOREA, REPUBLIC OF: IBRD—$100 million. The government's liberalization program in the financial sector—designed to accelerate deregulation of domestic financial markets and increase competition and efficiency of financial intermediation—will be supported by a project that will channel long-term credits to private manufacturing enterprises through three participating financial intermediaries. Training and technical assistance are included. Total cost: $250 million.

#MOZAMBIQUE: IDA—$200 million. The government's economic and social rehabilitation program, whose objectives are to support macroeconomic stabilization through the strengthening of key elements of fiscal and monetary policy while supporting an interlinked program of enterprise and financial sector reform and continuing income transfers to poor households, will be supported.

MOZAMBIQUE: IDA—$9 million. By providing training (a) in key areas of central bank activity, (b) to meet the immediate training needs of commercial bank staff, and (c) to strengthen legal financial capacities, the ability to implement the government's policy and institutional reforms will be enhanced. Institution-building assistance to the banking system is included. Cofinancing ($1 million) is anticipated from the SDC. Total cost: $10.5 million.

†RUSSIA: IBRD—$200 million. A financial institutions development project has been designed to improve the quality of banking services, promote banking stability, and contribute to a more efficient allocation of bank credit by building up the capacity of a core group of thirty to forty private commercial banks. Cofinancing is expected from the EBRD ($99 million), the EU ($36 million), Japan ($18.6 million), and USAID ($3.4 million). Total cost: $389.4 million.

†RWANDA: IDA—$12 million. A line of credit will be made available to finance productive private sector investments, and a fund will be set up to finance technical assistance designed to improve the technical and managerial capacity of private sector firms. Institutional strengthening, designed to ensure proper implementation of reform measures, is included. Cofinancing ($1 million) is expected from Belgium. Total cost: $19.3 million.

#SLOVENIA: IBRD—$80 million. The country's efforts to implement effective reform of its enterprise and financial sectors will be supported by a project that seeks to facilitate enterprise privatization and restructuring, accelerate the development of a strong and supportive financial sector, and support more effective labor-market policies and a social safety net for the poor. Technical assistance is included.

TUNISIA: IBRD—$120 million. Financially sound banks and financial leasing companies will be provided access to term resources at market rates to finance viable private investments during the current transitional period of emerging long-term capital markets.

UGANDA: IDA—$1.1 million. Funds from IDA reflows will be provided to supplement the financial sector adjustment credit, approved in fiscal 1993 in the amount of $100 million.

URUGUAY: IBRD—$35 million. A line of credit will be extended to participating financial intermediaries to finance private investment, associated permanent working capital, and leasing operations (excluding purchase of land and housing) of viable enterprises that have revenues predominantly in United States dollars. Technical assistance is included. Cofinancing ($90 million) is being provided by the IDB.

ZAMBIA: IDA—$18 million. Standards of accounting, public sector procurement, and legal services will be improved by strengthening key institutions involved in these three activities through improvements in their human and material resources. Total cost: $19.6 million.

ZAMBIA: IDA—$10 million. Supplemental funds will be provided to help finance the second Privatization and Industrial Reform Credit, approved in June 1993 in the amount of $100 million.

Industry

BANGLADESH: IDA—$247 million. Implementation of a program of reforms designed to restructure the jute-manufacturing industry will be supported.

BANGLADESH: IDA—$3.3 million. Funds from IDA reflows will be provided to supplement the jute sector-adjustment credit, approved in fiscal 1994 (see above).

*COMOROS: IDA—$5.1 million. The nascent private sector will be provided with the means and incentives to engage in productive investments through provision of finance and technical support to small-scale entrepreneurs engaged in labor-intensive and/or service activities; implementation of improvements in commercial and labor law, as well as legal and judicial procedures; and a strengthening of investment incentives. Total cost: $7.7 million.

MAURITIUS: IBRD—$7.7 million. Export competitiveness, and thereby prospects for sustainable rapid growth, will be enhanced by facilitating private sector access to know-how for improved productivity, quality, design, and response times, as well as diversification of export production. Total cost: $13.3 million.

PHILIPPINES: IBRD—$40 million. The program to attract private investors to the Subic Bay Freeport—until November 1992 it was the Subic Bay Naval Base—will be supported through provision of infrastructure improvements; maintenance of the freeport's asset base, including protection of the environment; and strengthening the capacity of the freeport's managing authority. Total cost: $54.1 million.

ROMANIA: IBRD—$175 million. Funds will be onlent to private enterprises for investments aimed at improving international competitiveness and/or to expand exports. In addition, partial to full coverage of preshipment finance needs for imported inputs will be provided. Technical assistance is included. Total cost: $334 million.

RUSSIA: IBRD—$200 million. Term finance for capital investments and permanent working capital will be made available to commercial banks for onlending to new private and newly privatized enterprises. Cofinancing ($100 million) is expected from the EBRD.

ZAMBIA: IDA—$16.8 million. Funds from IDA reflows will be provided to supplement the privatization and industrial reform credit, approved in fiscal 1992 in the amount of $200 million.

Mining/Other Extractive

ECUADOR: IBRD—$14 million. Implementation of the government's new mining sector policy and strategy, designed to attract private mining investment, will be assisted by financing (a) mapping and mining-information and cadastral systems to support increased, yet environmentally sound, mineral production and (b) measures to arrest and mitigate mining-related environmental degradation, including the upgrading of small-miner technology and management practices. Cofinancing, totaling $8.1 million, is expected from Sweden and the United Kingdom. Total cost: $24 million.

Multisector

BELARUS: IBRD—$120 million. The government's reform program, designed to promote competition, support the development of the private sector, and provide a financially sustainable and incentive-compatible social safety net in order to protect vulnerable groups during the transition, will be supported.

BELARUS: IBRD—$8.3 million. The government will be assisted in strengthening the institutional basis for economic reform through provision of technical assistance in four functional areas: resource mobilization and economic management, enterprise reform, banking sector reform, and social-sector reform. Total cost: $18 million.

BOLIVIA: IDA—$9.4 million. Funds from IDA reflows will be provided to supplement the structural-adjustment credit, approved in fiscal 1992 in the amount of $40 million.

#†BURKINA FASO: IDA—$25 million. The government's reform efforts following the devaluation of the CFA franc in January 1994 will be supported.

CAMBODIA: IDA—$62.7 million. Critical imports to enable key sectors of the economy to continue to operate will be financed. Cofinancing ($2.3 million) is expected from SIDA. Total cost: $73.1 million.

#CAMEROON: IDA—$75 million. The government's economic recovery program will be supported by this credit, which will finance the imports needed for economic recovery and growth following the recent devaluation of the CFA franc, while instituting short-term safety net measures to protect the poor.

CAMEROON: IDA—$51 million. Funds from IDA reflows will be provided to supplement the structural-adjustment credit, approved in fiscal 1994, in the amount of $50 million (see below).

CAMEROON: IDA—$50 million. The government's revised stabilization and adjustment program will be supported. *(Concurrently, the third tranche of a $150 million IBRD loan in support of the government's structural-adjustment program was canceled.)*

#CHAD: IDA—$20 million. The government's post-devaluation reform program, designed to restore order to public finances and lay the basis for growth and the alleviation of poverty, while instituting measures to protect the most vulnerable groups, will be supported.

CONGO: IDA—$100 million. The government's reform program, designed to improve public sector efficiency, strengthen the country's production capacity, develop human resources, and reduce poverty, will be supported.

#EL SALVADOR: IBRD—$50 million. The government's structural-adjustment program, designed to lay the analytical framework for public sector modernization; consolidate and deepen reforms supported by a previous structural-adjustment operation; implement a comprehensive poverty-alleviation plan; and strengthen public expenditures, the civil service, and environmental management, will be supported.

ETHIOPIA: IDA—$470,000. Funds from IDA reflows will be provided to supplement the structural-adjustment credit, approved in fiscal 1993, in the amount of $250 million.

#GABON: IBRD—$30 million. Emergency support will be provided to the government's program of economic recovery that was conceived in the wake of the devaluation of the CFA franc. Public expenditure reallocations towards basic social service areas, as well as policies to eliminate distortions faced by the poor, are included.

GUYANA: IDA—$2.8 million. Funds from IDA reflows will be provided to supplement the second structural-adjustment credit, approved in fiscal 1990 in the amount of $74.6 million.

KAZAKHSTAN: IBRD—$180 million. The government's reform program will be supported by provision of finance for (a) expansion of the country's foreign-exchange auction market, which provides hard currency to enterprises wishing to finance imports through normal commercial practices and (b) essential imports required for the continued operation of essential public services and a recovery in critical productive sectors.

KAZAKHSTAN: IBRD—$38 million. Critically needed technical assistance will be provided to help develop and implement key components of the government's reform program, assuring the prompt and concerted development of the essential components of a market economy. Total cost: $39.5 million.

#MACEDONIA, FORMER YUGOSLAV REPUBLIC OF: IBRD—$40 million; IDA—$40 million. Key structural reforms, designed to enable the government to achieve sustainable stabilization and restore growth, while protecting vulnerable groups through social safety net reforms, will be supported.

MALAWI: IDA—$4.3 million. Funds from IDA reflows will be provided to supplement the entrepreneurship-development and drought-recovery project, approved in fiscal 1992 in the amount of $120 million.

#MALI: IDA—$25 million. The country's post-devaluation reform program, whose main objectives are private sector-led growth and the reduction of poverty, will be supported.

MOLDOVA: IBRD—$60 million. Imports of essential production inputs and health-care supplies will be financed, foreign exchange will be provided to support the access of enterprises to the foreign-exchange market, and the social safety net system will be strengthened. Technical assistance is included.

MONGOLIA: IDA—$20 million. Imports and technical assistance urgently needed to maintain and develop coal and copper mining production and the transport sector will be financed. Total cost: $25.4 million.

#NIGER: IDA—$25 million. The country's post-devaluation reform program will be supported, in particular measures aimed at minimizing the negative short-term social impact of the devaluation.

OCCUPIED TERRITORIES: Trust Fund for Gaza—$30 million. Priority infrastructural services in the education, power, water and sewerage, and roads sectors in Gaza will be financed. In addition, technical assistance to help prepare and support implementation of investment activities, provide support for the development of much of the policy framework required to ensure the sustainability of the investment program, and lay the institutional basis for interim self-government will be provided. Cofinancing, which will support components in both Gaza and the West Bank, has been pledged by the AFESD ($30 million), the SFD ($30 million), the KFAED ($10 million), Denmark ($20 million), and the SDC ($8 million).

#SENEGAL: IDA—$25 million. The country's post-devaluation reform program will be supported, in particular measures aimed at minimizing the negative short-term social impact of the devaluation.

#SIERRA LEONE: IDA—$50 million. Government reforms in the areas of trade and exchange-rate policies, fiscal management, the civil service, the public enterprise sector, and delivery of social services to the poor will be extended and deepened.

SIERRA LEONE: IDA—$190,000. Funds from IDA reflows will be provided to supplement the structural-adjustment credit, approved in fiscal 1994 in the amount of $50 million (see above).

#SLOVAK REPUBLIC: IBRD—$80 million. The government's ongoing reform program—its central objective is the restoration of growth—will be supported by financing many of the one-time costs associated with restructuring and the breakup of the Czech and Slovak Federal Republic, including social sector reforms and funding of a social safety net for vulnerable groups.

#UGANDA: IDA—$80 million. The government's economic recovery program, designed to bring about rapid and sustained improvements in living standards through policy changes, which include increased public expenditure allocation toward basic social services, will be supported through a second structural-adjustment loan.

#ZAMBIA: IDA—$150 million. Implementation of the next phase of the country's structural-adjustment program will be supported through balance-of-payments financing and support for efforts to (a) restore macroeconomic stability, (b) generate a supply response through the removal of bottlenecks to exports and agricultural expansion, and (c) remove structural obstacles to the delivery of social services.

Oil and Gas

†CHINA: IBRD—$255 million. Implementation of the upstream oil and gas-sector restructuring will be supported, and the levels and structure of gas pricing will be rationalized. In addition, gas field development, stimulation, and rehabilitation in Sichuan province will be financed. Institution-building assistance is included. Cofinancing ($10 million) is being provided by the GEF. Total cost: $945.2 million.

ESTONIA: IBRD—$38.4 million. Rehabilitation and improvements in district heating systems will be undertaken in three of the country's five largest cities (Tallin, Tartu, and Parnu), thereby reducing fuel costs and import requirements and improving environmental conditions in affected areas. Capacity-building assistance is included. Cofinancing will be provided by the BITS ($10 million) and the EIB ($4.4 million), while another $3.8 million is being sought. Total cost: $64.5 million.

†ETHIOPIA: IDA—$74.3 million. By increasing the availability of fuel from the Calub natural gas deposit in the country's southeast region, Ethiopia's unbalanced structure of energy supply will be partially righted and the supply of petroleum products needed in the modern sectors of the economy increased. Road rehabilitation, technical assistance, and a poverty-alleviation component—aimed at supporting income diversification among poor urban fuelwood carriers—is included. Cofinancing is expected from the AfDB ($27 million) and has been confirmed by the Netherlands ($4 million). Total cost: $130.8 million.

HUNGARY: IBRD—$100 million. The next investment (construction of a gas-fired combined-cycle cogeneration unit) in the national least-cost power generation-investment program, designed to improve energy efficiency and environmental conditions at one of the country's most important power stations and reduce dependence on fuel imports, will be supported. Institution-building assistance and training are included. Total cost: $242.5 million.

JORDAN: IBRD—$80 million. The financial viability of the power subsector will be restored so as to ensure that it can operate on a commercial basis and finance its investment needs. In addition, the energy sector will be restructured in such a way as to establish an enabling environment for sustainable sector growth and development. Cofinancing ($80 million) is expected from Japan.

KAZAKHSTAN: IBRD—$15.7 million. Technical assistance will be provided to help the government strengthen the capacity of key petroleum subsector agencies to attract foreign investments, promote the efficiency and long-term financial viability of the petroleum industry, and formulate sound investment and organizational strategies for the integration of domestic primary petroleum production, processing, transport, and distribution. Total cost: $19.6 million.

LITHUANIA: IBRD—$26.4 million. Two thermal power plants will be rehabilitated, and the safety, reliability, and flexibility of the electricity-transmission system improved. Capacity-building assistance is included. Total cost: $32.9 million.

MADAGASCAR: IDA—$51.9 million. Governmental reforms in the petroleum sector, which have introduced a competitive environment and the involvement of the private sector, will be supported, and basic infrastructure investments required to increase operational efficiency and attract private operators and investors will be financed. Institution-building measures are included. Total cost: $79.2 million.

MOZAMBIQUE: IDA—$30 million. All predevelopment work necessary to enable the government and the private sector to make a firm decision to develop the Pande gas field to enable gas to be exported (mainly to South Africa) and used domestically will be undertaken. Interest in cofinancing ($3 million) has been expressed by Norway. Total cost: $48.7 million.

PAPUA NEW GUINEA: IBRD—$11 million. A second project in support of the country's petroleum sector will help strengthen the government's capability in policy formulation, safety regulation, evaluation of development proposals, and monitoring of ongoing sector-development programs, thereby enhancing the attractiveness of the sector to international investors. Total cost: $12.2 million.

ROMANIA: IBRD—$175.6 million. The government's petroleum-sector restructuring strategy, designed to promote private sector investments, strengthen institutional capabilities, and establish a suitable regulatory framework to facilitate the development of an efficient and commercially oriented petroleum sector, will be supported. Cofinancing is expected from the EIB ($51.2 million) and the EU's PHARE program ($2 million). Total cost: $345.6 million.

RUSSIA: IBRD—$500 million. A second oil-rehabilitation project seeks to slow the rate of oil-production decline in Western Siberia; transfer international technical, environmental, and managerial practice to the operation of oil fields in Western Siberia; and promote a more efficient and environmentally sustainable use of the country's petroleum resources. Total cost: $678 million.

ZAMBIA: IDA—$30 million. The Tazama pipeline from Dar es Salaam (Tanzania) to Ndola (Zambia) will be rehabilitated, and the oil-products depot at Ndola modernized. Institutional strengthening and technical assistance, designed to support the petroleum industry's efforts to become more competitive and cost effective, are included. Cofinancing ($15 million) is expected from the EIB. Total cost: $48 million.

Population, Health, and Nutrition

†*ARGENTINA: IBRD—$100 million. An estimated 500,000 poor mothers and young children are expected to benefit directly from a project that seeks to expand and subsequently maintain coverage of good-quality basic health care, nutrition, and child-development services for the poor. Total cost: $160 million.

BRAZIL: IBRD—$160 million. It is expected that, based on a conservative model of behavioral change, human immunodeficiency virus (HIV) infections will be reduced by 300,000 cases as a result of a project designed to reduced the incidence and transmission of HIV/AIDS and sexually transmitted diseases. Institutional strengthening measures are included. Total cost: $250 million.

†*BURKINA FASO: IDA—$29.2 million. The government's efforts to improve significantly the quality, coverage, and utilization of basic health services; enhance the nutritional status of the population; and develop a national capacity for achieving sustainable control of endemic parasitic diseases will be supported. Cofinancing is anticipated from Germany ($4.1 million) and UNICEF ($3.6 million). Total cost: $38.9 million.

†*BURKINA FASO: IDA—$26.3 million. The government will be assisted in making family-planning services more accessible, particularly in rural areas, while at the same time stimulating the demand for contraceptive services. In addition, the spread of HIV infections will be slowed by promoting behavioral change and treating sexually transmitted diseases. Cofinancing is expected from Denmark and Norway ($3 million each). Total cost: $34.5 million.

†*CHAD: IDA—$18.5 million. Some 750,000 people, mostly women and children, stand to benefit directly from a project designed to increase the efficiency of the health system with the result that the access to and quality of health, nutrition, and family planning services will be increased and improved. Technical assistance is included. Cofinancing is anticipated from UNICEF ($2.3 million) and the UNDP ($1.3 million). Total cost: $25.7 million.

*CHINA: IDA—$110 million. Through the training (and retraining) of health workers and by improving their working conditions, the quality of service performed by rural health workers will be improved, thereby contributing to better health among the rural population in six provinces. Total cost: $186 million.

†*COMOROS: IDA—$13 million. The development of human resources will be strengthened by increasing the efficiency and effectiveness of basic health services through the establishment of efficient regional health administrations, a social development fund for the poor, and other supportive services. In addition, complementary community-development initiatives will be promoted to develop grassroots participation in small-scale productive activities. Total cost: $16 million.

*COSTA RICA: IBRD—$22 million. The government's effort to implement critical policy, institutional, and operational reforms that aim at improving the efficiency, effectiveness, and quality of the delivery of health-care services by the Costa Rican Social Security System—especially to the poorer population—and at improving quality control and surveillance in the health sector, will be supported. Total cost: $32 million.

†*GUINEA: IDA—$24.6 million. The coverage of low-cost health, nutrition, and family-planning services will be expanded, thereby helping improve the health status of the population—in particular, the most vulnerable groups. Institution-building assistance is included. Total cost: $27.3 million.

†*INDIA: IDA—$117.8 million. The quality of cataract surgery will be upgraded, the coverage of the National Program for the Control of Blindness will be expanded to underprivileged areas (with special attention to women, tribal, and other isolated groups), cataract prevalence reduced by more than 50 percent, and blindness incidence cut by more than 30 percent in the states of Maharashtra, Rajasthan, Uttar Pradesh, Andhra Pradesh, Madhya Pradesh, Orissa, and Tamil Nadu. Total cost: $135.7 million.

†*INDIA: IDA—$88.6 million. The family-welfare programs in the states of Assam, Rajasthan, and Karnataka will be strengthened and improved, and the current levels of fertility and maternal and childhood mortality lowered through targeting poor areas and tribal and migratory communities. Total cost: $103.8 million.

*MALAYSIA: IBRD—$50 million. Selected high-priority needs for health-sector development, including building and equipping health-care centers in three poor rural areas, strengthening prevention programs to meet emerging environmental and occupation concerns, improving equitable access to primary health care, introduction of appropriate new health technologies, and institutional strengthening, will be addressed. Total cost: $101.3 million.

NEPAL: IDA—$26.7 million. Key components of the government's family-planning/maternal and child health program will be financed, thereby providing support to efforts to increase contraceptive prevalence, decrease the total fertility rate, reduce maternal and child morbidity and mortality, and raise life expectancy. Total cost: $39 million.

*NICARAGUA: IDA—$15 million. Reforms in the health sector, which focus on decentralization of services, enhancement of primary care, strengthening the supply and distribution of drugs, rehabilitation of facilities, and greater cost recovery at the secondary level, will be supported. Cofinancing is anticipated from Norway ($3 million). Total cost: $20.1 million.

†*PERU: IBRD—$34 million. The health and nutritional status of residents (poor women and children in particular) living in three poor regions of the country, as well as one of Lima's poorest districts, is expected to improve through extending access and improving the quality of maternal and child health and nutrition services and through promotion of better health and nutrition practices. Total cost: $44.5 million.

†*UGANDA: IDA—$50 million. Attempts will be made to (a) prevent further sexual transmission of the HIV through promotion of safer sexual behavior, increased condom availability and usage, and provision of care and treatment of sexually transmitted diseases; and (b) mitigate the personal impact of the AIDS epidemic through the financing of drugs, protective supplies, and health-care services. Institution-building assistance is included. Cofinancing is anticipated from Germany ($6.8 million), SIDA ($5 million), and the ODA ($4.2 million). Total cost: $73.4 million.

Power

†CHINA: IBRD—$350 million. Through the construction of a coal-fired thermal power

plant, the erection of new transmission lines, and the reinforcement of the existing power-transmission network, the critically needed power-generation capability of Jiangsu province and the East China power grid as a whole will be greatly increased. Technical assistance and training are included. Cofinancing ($120 million) is being provided through an ECO involving the commercial bank market and the Japanese insurance-company market. Total cost: $1,081.4 million.

†INDONESIA: IBRD—$260.5 million. Efforts to increase private sector participation in electricity generation and to restructure the state electricity company (PLN) and establish it as a commercial entity will be supported. In addition, environmentally sustainable expansion of PLN's electricity-generation and transmission capacity will be financed. Cofinancing ($23.7 million) is anticipated from Austria and Australia and from export credits ($92 million). Total cost: $688.9 million.

PAKISTAN: IBRD—$230 million. The investment program of the Water and Power Development Authority (WAPDA) will be supported, and the stage will be set for a gradual and orderly privatization of the power sector in general and WAPDA in particular. Total cost: $4,470 million.

†PHILIPPINES: IBRD—$227 million. The rapidly increasing demand for power in Luzon will be met through the development of a geothermal energy field in the Eastern Visayas that will expand power plant capacity from 200 mW to 640 mW and the construction of related transmission systems that will interconnect most of the country. Institution-strengthening measures are included. Cofinancing is expected from the JExIm ($170 million), the BITS ($39 million), the GEF ($30 million), and an ECO to support commercial financing of $100 million for the project's high-voltage AC/DC converter stations. Total cost: $1,333.6 million.

†PHILIPPINES: IBRD—$211 million. The rapidly increasing demand for power in Cebu and the Visayas region will be met through the use of indigenous and environmentally superior geothermal energy. Institution-building assistance is included. Total cost: $458.9 million.

ZIMBABWE: IBRD—$90 million. The performance and reliability of the Hwange coal-fired power station, the country's largest generating station, will be increased, thereby minimizing the severity of the power shortage—caused by the recent drought—and facilitating economic recovery. Technical assistance and training are included. Total cost: $200.3 million.

Public-sector Management

BENIN: IDA—$5.2 million. Economic management capacity in the country will be improved through support to the management of a national training center, technical assistance to the Ministry of Planning and Ministry of Finance, and provision of studies and short-term expertise in support of adjustment implementation. Cofinancing is expected from DANIDA ($4 million) and the ACBF ($2 million). Total cost: $12 million.

CAPE VERDE: IDA—$8.1 million. The government's broad effort to transform and modernize key institutions, the laws supporting them, and the personnel staffing them will be supported by a project that seeks to modernize the civil service, build local capacity, strengthen economic management capacity, reform and modernize the justice system, and spur public procurement reforms. Total cost: $8.9 million.

EL SALVADOR: IBRD—$2.5 million. The country's adjustment process will be deepened through the provision of technical and financial support to the institutions in charge of the economic reform program. Cofinancing is expected from USAID, the UNDP, and the IDB. Total cost: $6.3 million.

HUNGARY: IBRD—$29 million. Through a program of institutional development, development and implementation of a new information-technology system, and training in the development and use of applications systems, the country's tax administration will be strengthened, thereby maximizing tax revenues in a sustainable way. Total cost: $55.6 million.

JAMAICA: IBRD—$35 million. Through the design of measures to improve the country's export-support systems and financial sector support for investment and trade finance, the investment and export-development process will be accelerated during the last major phase of trade liberalization in Jamaica, and constraints to local long-term sources of funds will be addressed. Total cost: $52 million.

JAMAICA: IBRD—$13.2 million. A tax-administration reform project seeks to raise revenues without increasing tax rates through a broadening of the tax base, improving the efficiency and effectiveness of the tax administration, and encouragement of improved voluntary compliance. Total cost: $42 million.

KYRGYZ REPUBLIC: IDA—$60 million. Implementation of enterprise privatization and restructuring will be accelerated, and efforts to stimulate private sector development, improve enterprise governance and efficiency, and advance banking sector reforms supported.

LEBANON: IBRD—$19.9 million. Government efforts to enhance revenues and strengthen fiscal management will be supported through a project whose main focus is on (a) filling the immediate gaps in key personnel, skills, equipment, and physical resources; (b) assisting in improving systems, procedures, and data bases; and (c) providing advice on future policy reforms. Cofinancing is expected from the UNDP ($1 million) and the IMF ($660,000). Total cost: $23.6 million.

LESOTHO: IDA—$11 million. Technical assistance will be supplied in support of the government's privatization and private sector development efforts. Total cost: $12.4 million.

MALAWI: IDA—$22.6 million. Specific systemic management issues that now constitute bottlenecks to efficiency and effectiveness in the civil service will be addressed through the provision of technical assistance and training. Total cost: $25.6 million.

MAURITANIA: IDA—$1.3 million. Funds from IDA reflows will be provided to supplement the public enterprise-sector adjustment credit, approved in fiscal 1990 in the amount of $40 million.

NICARAGUA: IDA—$60 million. The government's structural-adjustment program, which aims to carry out a major reform of the state, increase the efficiency of financial intermediation, and improve conditions for private sector development, will be supported.

NICARAGUA: IDA—$7.6 million. Funds from IDA reflows will be provided to supplement the second economic recovery credit, approved in fiscal 1994 (see above).

#PAKISTAN: IBRD—$150 million; IDA—$100 million. The government's reform program, which aims at building a sound and sustainable macroeconomic framework, privatization of certain public enterprises, a restructuring of the composition of public expenditures, continuation of a program of trade reform, and reallocation of public expenditures in favor of social services, will be supported.

PAKISTAN: IDA—$46.8 million. Physical investments that deal with some of the most urgent environmental and infrastructure problems in Karachi and three interior cities in Sindh province will be financed. Institution-building measures, as well as the preparation of engineering studies for future investments, are included. Total cost: $58.6 million.

†TURKEY: IBRD—$100 million. The development of the country's dynamic private sector will be furthered through the provision of assistance for an accelerated privatization process. Measures will also be financed to alleviate the impact of state-owned enterprise downsizing and divestiture on displaced workers and their families. Total cost: $129 million.

UZBEKISTAN: IBRD—$21 million. Institution-building and technical assistance activities in the areas of privatization and public enterprise reform, the legal and regulatory framework, the financial sector, social safety net/employment, and the energy and telecommunications sectors will be financed. Cofinancing is anticipated from the EU ($2.6 million) and Japan ($1 million). Total cost: $25 million.

Social Sector

*ALBANIA: IDA—$5.5 million. The government will be assisted in reforming its systems of social protection of the vulnerable, while, at the same time, configuring them in ways that make them compatible with a market-oriented economy. Total cost: $6.2 million.

*ALBANIA: IDA—$5.4 million. The government's labor market-development program, designed to meet the needs of the unemployed and facilitate their return to employment, will be supported through the provision of technical assistance, fellowships and training, and training materials and equipment. Total cost: $6 million.

†*ECUADOR: IBRD—$30 million. Substantial immediate and longer-term benefits will be generated for the poor through more than 2,700 subprojects expected to be financed by the Emergency Social Investment Fund (FISE) that will provide basic social and physical infrastructure, social services, and training. Cofinancing is expected from the IDB ($30 million), USAID ($4.5 million), Spain ($800,000), the UNDP ($100,000), and UNICEF ($100,000), while another $20.7 million is being sought. Total cost: $120 million.

†*LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$9.7 million. About 50,000 poor people living in Luang Namtha, one of the country's poorest provinces, will benefit from a rural infrastructure project that will provide improved access to markets and schools, as well as better water quality and sanitation services. Technical assistance and training are included. Total cost: $10.2 million.

†*PERU: IBRD—$100 million. Community-based projects in the areas of social assistance, social and economic infrastructure, and credits to small-scale farmers and entrepreneurs—all managed by the National Fund for Social Compensation and Development (FONCODES)—will be supported, thus helping to sustain the government's poverty-reduction efforts and mitigate the social costs of adjustment. Cofinancing is expected from the IDB ($100 million) and others ($53 million), including Germany. Total cost: $495 million.

Telecommunications

CHINA: IBRD—$250 million. Reforms, designed to develop a modern, commercial telecommunications sector that will evolve increasingly toward allocation of resources on the basis of competitive market forces, will be supported. In addition, some investments in modern technology for fiber-optic long distance links and local digital switching in three provinces will be financed. Cofinancing ($1.3 million) is expected from the BITS. Total cost: $623 million.

CZECH REPUBLIC: IBRD—$80 million. International and national long distance telephone networks will be expanded and strengthened so as to relieve congested services and provide modern telecom services to businesses. Institution-building assistance is included. Cofinancing is expected from the EBRD and the EIB ($80 million each) and in the form of export credits. Total cost: $891.5 million.

JORDAN: IBRD—$20 million. The capacity of the country's telecommunications system will almost be doubled (to as many as 570,000 lines), and support provided to the government in formulating and implementing reforms leading to sector development and the private provision of services. Cofinancing is anticipated from the EIB ($30 million), the JExIm ($23 million), the ODA ($6 million), the BITS ($4 million), and commercial sources ($50 million), which will be mobilized with the support of the Bank's ECO guarantee. Total cost: $223 million.

KYRGYZ REPUBLIC: IDA—$18 million. The government will be assisted in making priority replacement/expansion investments in telecommunications in such as way as to best facilitate the country's economic growth and improve service quality. Institution-building assistance is included. Cofinancing is expected from the EBRD ($8 million). Total cost: $31 million.

SLOVAK REPUBLIC: IBRD—$55 million. International and national long distance telephone networks will be expanded and strengthened so as to relieve congested services and provide modern telecom services to businesses. Institution-building assistance is included. Cofinancing is expected from the EIB ($55.3 million), the EBRD ($55 million), and export credits ($66.2 million). Total cost: $462.3 million.

Tourism

*BELIZE: IBRD—$20 million. The first phase of a seven-year infrastructure-development program for Belize City—representing a minimal critical mass of activities in the street network (including traffic management and control), drainage system (including canals and creeks), and coastal protection works, which will significantly benefit the poorer population—will be financed. Total cost: $28 million.

Transportation

†BANGLADESH: IDA—$200 million. The east and west parts of the country, separated by the Jamuna river, will be connected for the first time by the construction of a 4.8-kilometer-long bridge, thereby stimulating economic growth by facilitating interregional, cross-river transport of passengers, freight, and transmission of electricity more economically and efficiently. Cofinancing is anticipated from the AsDB and the OECF ($200 million each). Total cost: $696 million.

†BANGLADESH: IDA—$146.8 million. The total cost of road transport on the country's most travelled roads will be reduced by improving the road network through more effective planning, design, and construction (including reconstruction) of road investments and more effective programming and implementation of road maintenance. Cofinancing ($8.8 million) is expected from the ODA. Total cost: $252.2 million.

BRAZIL: IBRD—$220 million. Road-program management in the states of Maranhão, Piauí, and Tocantins will be strengthened—with a view to avoiding further deterioration of the important public assets that the paved road networks represent—through more efficient allocation of resources to maintenance and their effective management. Total cost: $602.8 million.

†CHINA: IBRD—$380 million. Transport congestion will be relieved and the integration of interregional commerce improved through the construction of 340 kilometers of the national trunk highway system in the principal north-south corridor. In addition, fourteen provincial highways interconnecting with the national highway will be upgraded. Technical assistance and training are included. Total cost: $894.7 million.

†CHINA: IBRD—$150 million. A second Shanghai Metropolitan Transport Project will help finance construction of about twenty-two kilometers of a four-lane expressway around the city, implementation of traffic-management and traffic-safety measures, and investments in public transport. Technical assistance is included. Total cost: $657.1 million.

CHINA: IBRD—$140 million. The continued development of road infrastructure in Fujian province will be supported, and an action plan for the strengthening of the provincial road-construction industry developed. Technical assistance and training are included. Total cost: $528.8 million.

ESTONIA: IBRD—$12 million. A two-year program of urgently needed highway-maintenance work will be financed, thereby avoiding costly rehabilitation or reconstruction at a later date. In addition, the efficiency of the country's road-maintenance operations will be improved. Cofinancing, totaling $2 million, is expected from Denmark, Finland, and Sweden. Total cost: $25 million.

INDIA: IBRD—$94 million. An enabling environment for container transport will be established, and the capacity and efficiency of long-haul transport of high-value general cargo increased. Cofinancing ($4 million) is expected from the Netherlands. Total cost: $151 million.

†INDONESIA: IBRD—$350 million. Problems caused by the rapid growth in road traffic will be eased and road-transport system costs reduced by improving the service quality of national and provincial roads and by expanding the capacity of the road network. Institutional strengthening measures are included. Total cost: $680.5 million.

INDONESIA: IBRD—$101.5 million. Access to commercial markets for the agriculture-dependent rural population will be improved by enhancing the capacity of government agencies that manage the development of rural-district roads and by improving the quality and capacity of the road network in selected rural districts. Total cost: $206.8 million.

KAZAKHSTAN: IBRD—$40 million. Public transport service in the country's three main cities will be restored to adequate levels of service quality, and key improvements in urban public transport-sector policies and institutions will be implemented. Technical assistance and training are included. Cofinancing ($600,000) is expected from the EU. Total cost: $42.4 million.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$30 million. The efficiency of the country's road network will be increased through specific road improvements and through strengthening of institutional capabilities to plan, manage, and maintain the national highway network. Total cost: $33.7 million.

MADAGASCAR: IDA—$13.1 million. Facilities damaged by two cyclones in early 1994, including several major roads that represent lifelines to the poorer regions, will be rebuilt, and measures to minimize potential damage from future cyclones will be strengthened. Total cost: $28.8 million.

†MALI: IDA—$65 million. The government will be supported in its efforts to strengthen transport-sector management and performance, restructure transport-sector parastatals, modify the regulatory and institutional framework to promote increased private sector involvement in the provision of services and the execution of works, and rehabilitate and maintain a priority network of transport infrastructure. Cofinancing is expected from the IsDB ($53.6 million), the EDF ($50 million), Germany ($19.8 million), France ($17.9 million), the ADF ($14.3 million), BOAD ($10.7 million), Canada ($7.1 million), and the OPEC Fund for International Development (amount to be determined). Total cost: $305.7 million.

MONGOLIA: IDA—$30 million. Key constraints in the transport sector will be addressed, in particular, by reversing the decline of the quality and quantity of transport services in railways, urban transport, trucking, and roads. Institution-building assistance is included. Total cost: $36.7 million.

†*MOZAMBIQUE: IDA—$188 million. Road transport will be improved, selected past road investments protected, and employment opportunities for the rural poor created through civil works programs to rehabilitate priority roads and eliminate the huge backlog of periodic maintenance. Capacity-building assistance is included. Cofinancing is anticipated from the EU ($97.9 million), the AfDB ($83.4 million), USAID ($25 million), the CFD/South Africa ($17 million), BADEA ($14.9 million), the KFAED ($14 million), and Germany ($9 million). Total cost: $814.6 million.

†NEPAL: IDA—$50.5 million. Through a program of road maintenance and rehabilitation, vehicle-operating costs and delays associated with a deteriorated road system will be reduced, and much-needed rural employment will be generated. Institutional strengthening assistance is included. Cofinancing is expected from the ODA ($12.4 million), the SDC ($2.8 million), and the UNDP ($1 million). Total cost: $81.1 million.

PANAMA: IBRD—$60 million. Transport efficiency will be improved and transport costs reduced throughout the country as a result of a roads-rehabilitation project that will finance a four-year time-slice of the government's publicly financed road program. Cofinancing ($180 million) is being provided by the IDB. Total cost: $406 million.

†PARAGUAY: IBRD—$65 million. Almost 200 kilometers of roads will be either improved or rehabilitated, and, through provision of institution-building assistance, the capacity of the Ministry of Public Works and Communications to deliver a good-quality, well-managed road network will be improved. Total cost: $90 million.

PERU: IBRD—$150 million. The rehabilitation of 725 kilometers of main highways, as well as of railway facilities, will be supported, and new initiatives in the areas of road maintenance, traffic safety, and nonmotorized transport will be undertaken. In addition, the process of railway privatization will be accelerated. Cofinancing is anticipated from Germany ($38 million) and the OPEC Fund for International Development ($5 million). Total cost: $242 million.

RUSSIA: IBRD—$300 million. About 1,500 kilometers of priority federal roads will be rehabilitated, maintenance and road-safety improvements will be carried out on about 9,500 kilometers of federal roads and 500 kilometers of regional roads, and the commercialization and privatization of the road-construction industry will be promoted. Technical assistance, training, and studies are included. Cofinancing ($5 million) is expected from the United States Federal Highway Administration. Total cost: $340 million.

SENEGAL: IDA—$3.7 million. Funds from IDA reflows will be provided to supplement the transport-sector adjustment credit, approved in fiscal 1991 in the amount of $65 million.

†TANZANIA: IDA—$170.2 million. Support will be provided for policy and institutional reforms to improve transport-sector administration, organization, and management; upgrading, rehabilitation, and backlog periodic maintenance of high-priority roads; measures to rehabilitate and improve rural transport infrastructure; and minimum civil aviation investments to ensure safety and continued service. Cofinancing is anticipated from the EU ($178.1 million), the AfDB ($108.9 million), NORAD ($41.7 million), the OPEC Fund for International Development ($38.3 million), the OECF ($19.8 million), the KFAED ($14.9 million), FINNIDA ($5.4 million), and the SDC ($5.1 million). Total cost: $650.3 million.

UGANDA: IDA—$75 million. The government's economic recovery program will be supported by improving the basic road infrastructure and by ensuring that it, along with the rail/ferry infrastructure, will be well maintained and efficiently managed. Cofinancing ($4.6 million) is anticipated from the NDF. Total cost: $99 million.

†VENEZUELA: IBRD—$100 million. By improving and strengthening national and local institutions engaged in the planning, financing, design, and operation of urban transport systems, the quality and efficiency of urban transport in Venezuelan cities will be improved. Total cost: $200 million.

†VIET NAM: IDA—$158.5 million. Two critical segments (totaling 430 kilometers) of the country's main highway will be rehabilitated, ferry operations improved at two Mekong delta crossings, and highway-maintenance capacity strengthened through the provision of technical assistance and equipment. Total cost: $176 million.

Urban Development

ALBANIA: IDA—$15 million. To help develop critical first steps in developing a market-based housing sector, the completion of construction of 4,500 apartments—originally intended as public rental units but which will now be sold to individual households under mortgage and condominium arrangements—will be financed. Cofinancing ($1.5 million) is expected from bilateral agencies, USAID in particular. Total cost: $40 million.

†*ARMENIA: IDA—$28 million. Funds will be provided to help finance reconstruction of housing, infrastructure, and factory shells in the area destroyed by the 1988 earthquake; a plan for the further reconstruction of the earthquake zone will be developed; and reform of housing-sector policies designed to promote the transition to a market-oriented economy will be supported. Vulnerable groups will be given priority in the allocation of apartments. Cofinancing ($400,000) is being provided by Japan. Total cost: $46 million.

†BOLIVIA: IDA—$42 million. The government's efforts to strengthen municipal management and improve the delivery of urban services will be supported through a project that aims at enhancing the capabilities of municipalities, local utilities, and service enterprises; strengthening financial intermediation in the sector; and encouraging the financing of municipal infrastructure in unserviced peri-urban areas. Total cost: $58 million.

†BRAZIL: IBRD—$150 million. Municipal financial management in Minas Gerais state will be strengthened through technical assistance and training, while environmental management will be improved through the development of a coherent state strategy for local provision of water and sewerage services, investment in priority basic sanitation infrastructure, and technical assistance and training. Total cost: $333.1 million.

†*CHAD: IDA—$17.4 million. Existing infrastructure will be protected from further decay through a maintenance and rehabilitation program, and additional urgently needed social infrastructure, identified and maintained by the beneficiaries, will be developed. In addition, labor-intensive public service schemes will generate employment opportunities, and training and technical support will be provided to small and medium-sized enterprises and beneficiaries. Cofinancing ($2 million) is being sought from the OPEC Fund for International Development and the EDF. Total cost: $20.4 million.

CHILE: IBRD—$10 million. Reforms that will increase the resources and responsibilities being transferred to municipalities and regions will be supported through a pilot project that seeks to increase the institutional and technical capacity of municipal governments to assume greater responsibilities and to improve the national government's capacity to accomplish its main macroeconomic goals at the municipal level. Total cost: $20 million.

CROATIA: IBRD—$128 million. Some of the conditions necessary for restoring productivity following war-related destruction will be reestablished through reconstruction of basic infrastructure, the replacement of vital agricultural assets, and by removing a major constraint to the resumption of normal tourism levels. In addition, a return of displaced households to their communities will be made possible through the reconstruction of housing and provision of supporting infrastructure. Total cost: $205.3 million.

†*THE GAMBIA: IDA—$11 million. Unemployment will be reduced by creating temporary jobs for unskilled workers in the public works and construction sectors, thereby maintaining infrastructure assets that might disappear for lack of maintenance due to financial constraints. Local capacity building, furnished through provision of training and technical support for small and medium-sized firms, is included. Cofinancing, in the amount of $2 million, is being explored with DANIDA, the EDF, the JICA, the UNDP, and USAID. Total cost: $14.5 million.

GHANA: IDA—$38.5 million. Infrastructure and services—roads, drainage, sanitation, garbage collection and disposal, bus parks, and public markets—will be improved in eleven secondary cities, thus improving living conditions for their more than 500,000 residents. Institutional strengthening of the eleven local governments involved is included, thereby furthering the government's decentralization efforts. Cofinancing ($8.3 million) is expected from Germany. Total cost: $55.5 million.

†INDIA: IDA—$246 million. The government of Maharashtra's rehabilitation program for the victims of the September 1993 earthquake, which killed an estimated 8,000 people and destroyed or damaged more than 130,000 homes, will be

supported. Cofinancing is expected from the United Kingdom (£10 million) and the AsDB ($600,000). Total cost: $328 million.

†*INDONESIA: IBRD—$175 million. Services and the quality of life for about 600,000 of Surabaya's inhabitants—especially those living in the poorer areas—will improve through a project that will provide water-supply, sanitation, and drainage improvements; and construction of access roads and paths. The implementation of a land-management program and provision of technical assistance is included. Cofinancing ($174.8 million) is anticipated from the OECF. Total cost: $617.6 million.

†*INDONESIA: IBRD—$174 million. The inhabitants of Semarang and Surakarta, and disproportionately the poorer inhabitants, will benefit directly from improvements to the quality, reliability, and accessibility of urban infrastructure services. In addition, technical assistance will be provided for implementation support and a strengthening of institutional capacity. Total cost: $320.8 million.

†MADAGASCAR: IDA—$18.3 million. A tested model for the efficient contracting-out of infrastructure maintenance will be created for, and implemented in, Antananarivo, resulting in the rehabilitation of about 300 kilometers of essential urban roads and creating about 70,000 manmonths of jobs. In addition, domestic small and medium-sized construction and engineering enterprises will be developed. Cofinancing ($200,000) is anticipated from the FAC. Total cost: $20.1 million.

†MEXICO: IBRD—$200 million. Solid waste services will be improved for an estimated 11 million people in the twenty-three cities that are expected to participate on a first-come, first-served basis. Institution-strengthening measures—at the federal and local government levels and for operating agencies—are included. Total cost: $415.5 million.

†*TOGO: IDA—$26.2 million. Implementation of the government's emerging urban development policy will be supported through the execution of priority urban works through labor-intensive schemes that focus on poor areas, the promotion of small contractors in the construction sector, and the active participation of local residents, community groups, and NGOs in neighborhood environmental improvement activities. Capacity-building assistance is included. Total cost: $29 million.

Water Supply and Sewerage

ALBANIA: IDA—$11.6 million. Water shortages and associated health risks to the population in the district of Durres will be eliminated, and a strong local institutional framework for the provision of water supply and sewerage services established, thereby ensuring that the improvements will be sustainable. Total cost: $19.5 million.

ALGERIA: IBRD—$110 million. Water-supply systems in ten cities and twenty-four sewage-treatment plants located throughout the country will be rehabilitated. In addition, the institutional arrangements in the urban water sector will be rationalized with a view to achieving full cost recovery by autonomous, self-financing utilities. Total cost: $170 million.

†*BENIN: IDA—$9.8 million. Rural water-supply and sanitation facilities will be built in smaller and poorer communities, hygiene education provided to communities interested in improving their water supply and sanitation facilities, and capacity building provided to all actors in the sector who will need to acquire new skills in promoting, planning, constructing, managing, and monitoring rural water supply and sanitation facilities. Cofinancing ($4 million) is anticipated from Denmark. Total cost: $15 million.

†*BRAZIL: IBRD—$154 million. The quality of life for about 1.2 million urban inhabitants of Espírito Santo state (and especially for some of the poorest inhabitants) will be improved, the incidence of waterborne disease reduced, and the quality of water for human consumption and recreational uses improved through a project that will help finance the state water company's 1994–99 investment program. Institution-building assistance is included. Total cost: $308 million.

BULGARIA: IBRD—$98 million. The autonomy and commercial orientation of the country's twenty-nine regional water and sewerage companies will be increased, and their management made more accountable to local authorities. In addition, selected water and sewerage facilities will be rehabilitated and upgraded. Total cost: $131 million.

†*GHANA: IDA—$22 million. Basic water and sanitation infrastructure will be provided to communities, schools, and health clinics, while health and the environment will be enhanced through the improvement of drinking-water quality,

personal hygiene, and excreta disposal. Institution building—with a focus on poverty reduction and women's participation—is included. Cofinancing ($1.7 million) is expected from Canada. Total cost: $27 million.

GUYANA: IDA—$17.5 million. The quality and reliability of potable water in selected regions of the country will be improved through the upgrading of water-supply facilities, and the efficiency of water-sector institutions will be enhanced through establishment of procedures and methods for ensuring proper system operations and maintenance. Cofinancing is anticipated from the CDB ($6.5 million) and the ODA ($6 million). Total cost: $33 million.

MEXICO: IBRD—$350 million. A second water supply and sanitation sector project is expected to benefit 10 million people directly by helping control cholera and reducing significantly other gastrointestinal diseases. Technical assistance to strengthen federal agencies, as well as local water utilities, is included. Total cost: $770 million.

*MOROCCO: IBRD—$160 million. Urban water-supply systems operated by six of the country's sixteen municipally owned water-distribution facilities (*régies*) will either be rehabilitated or expanded, thus providing access to safe water for some 9.6 million people. Rural water-supply facilities will also be rehabilitated and expanded, especially in poor areas of the country, directly benefiting 3 million people. Institution-building assistance is included. Cofinancing, totaling $84 million, is expected from the OECF and the AfDB. Total cost: $353.6 million.

†*UGANDA: IDA—$42.3 million. By extending the rehabilitation and expansion of water supply and sanitation facilities in eleven small (and two larger) towns, health conditions will be improved, poverty reduced, the lot of women improved, and environmental degradation reduced. Total cost: $48 million.

Table 5-20. Projects Approved for IBRD and IDA Assistance in Fiscal Year 1994, by Region and Country

(amounts in millions of US dollars)

Region and country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Africa						
Benin	—	—	4	42.8	4	42.8
Burkina Faso	—	—	3	80.5	3	80.5
Cameroon	—	—	2	176.0	2	176.0
Cape Verde	—	—	1	8.1	1	8.1
Chad	—	—	3	55.9	3	55.9
Comoros	—	—	2	18.1	2	18.1
Congo	—	—	1	100.0	1	100.0
Côte d'Ivoire	—	—	3	376.0	3	376.0
Ethiopia	—	—	1	74.8	1	74.8
Gabon	1	30.0	—	—	1	30.0
Gambia, The	—	—	2	13.6	2	13.6
Ghana	—	—	3	87.7	3	87.7
Guinea	—	—	1	24.6	1	24.6
Kenya	—	—	1	64.0	1	64.0
Lesotho	—	—	1	11.0	1	11.0
Madagascar	—	—	3	83.3	3	83.3
Malawi	—	—	1	26.9	1	26.9
Mali	—	—	3	110.0	3	110.0
Mauritania	—	—	1	19.5	1	19.5
Mauritius	1	7.7	—	—	1	7.7
Mozambique	—	—	4	427.0	4	427.0
Niger	—	—	2	66.4	2	66.4
Rwanda	—	—	2	27.0	2	27.0
Senegal	—	—	1	28.7	1	28.7
Sierra Leone	—	—	1	50.2	1	50.2
Tanzania	—	—	2	194.7	2	194.7
Togo	—	—	1	26.2	1	26.2
Uganda	—	—	5	262.4	5	262.4
Zambia	—	—	3	224.8	3	224.8
Zimbabwe	1	90.0	—	—	1	90.0
Total	3	127.7	57	2,680.2	60	2,807.9
East Asia and Pacific						
Cambodia	—	—	1	62.7	1	62.7
China	8	2,145.0	6	925.0	14	3,070.0
Indonesia	11	1,489.8	—	—	11	1,489.8
Korea, Republic of	3	380.0	—	—	3	380.0
Lao People's Democratic Republic	—	—	3	48.4	3	48.4
Malaysia	2	120.0	—	—	2	120.0
Mongolia	—	—	2	50.0	2	50.0
Papua New Guinea	1	11.0	—	—	1	11.0
Philippines	3	478.0	—	—	3	478.0
Viet Nam	—	—	3	324.5	3	324.5
Total	28	4,623.8	15	1,410.6	43	6,034.4
South Asia						
Bangladesh	—	—	3	597.1	3	597.1
Bhutan	—	—	1	5.4	1	5.4
India	1	94.0	6	834.8	7	928.8
Nepal	—	—	3	97.2	3	97.2
Pakistan	2	380.0	3	361.5	5	741.5
Total	3	474.0	16	1,896.0	19	2,370.0

Region and country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Europe and Central Asia						
Albania	—	—	5	47.1	5	47.1
Armenia	—	—	1	28.0	1	28.0
Belarus	3	170.2	—	—	3	170.2
Bulgaria	2	148.0	—	—	2	148.0
Croatia	1	128.0	—	—	1	128.0
Czech Republic	1	80.0	—	—	1	80.0
Estonia	2	50.4	—	—	2	50.4
Hungary	2	129.0	—	—	2	129.0
Kazakhstan	4	273.7	—	—	4	273.7
Kyrgyz Republic	—	—	2	78.0	2	78.0
Latvia	1	25.0	—	—	1	25.0
Lithuania	1	26.4	—	—	1	26.4
Macedonia, FYR of	1	40.0	—	40.0	1	80.0
Moldova	1	60.0	—	—	1	60.0
Poland	1	146.0	—	—	1	146.0
Romania	3	400.6	—	—	3	400.6
Russia	6	1,520.0	—	—	6	1,520.0
Slovak Republic	2	135.0	—	—	2	135.0
Slovenia	1	80.0	—	—	1	80.0
Turkey	1	100.0	—	—	1	100.0
Uzbekistan	1	21.0	—	—	1	21.0
Total	34	3,533.3	8	193.1	42	3,726.4
Latin America and the Caribbean						
Argentina	3	608.5	—	—	3	608.5
Barbados	1	7.8	—	—	1	7.8
Belize	1	20.0	—	—	1	20.0
Bolivia	—	—	1	51.4	1	51.4
Brazil	7	1,136.6	—	—	7	1,136.6
Caribbean region	1	20.0	—	11.0	1	31.0
Chile	1	10.0	—	—	1	10.0
Colombia	3	159.0	—	—	3	159.0
Costa Rica	1	22.0	—	—	1	22.0
Ecuador	3	64.0	—	—	3	64.0
El Salvador	2	52.5	—	—	2	52.5
Guyana	—	—	2	35.3	2	35.3
Honduras	—	—	1	87.9	1	87.9
Jamaica	2	48.2	—	—	2	48.2
Mexico	5	1,530.0	—	—	5	1,530.0
Nicaragua	—	—	3	126.6	3	126.6
Panama	1	60.0	—	—	1	60.0
Paraguay	2	115.0	—	—	2	115.0
Peru	3	284.0	—	—	3	284.0
Uruguay	3	107.5	—	—	3	107.5
Venezuela	2	189.4	—	—	2	189.4
Total	41	4,434.5	7	312.2	48	4,746.7

(continued)

Table 5-20 (continued)

	IBRD loans		IDA credits		Total	
Region and country	Number	Amount	Number	Amount	Number	Amount
Middle East and North Africa						
Algeria	2	140.0	—	—	2	140.0
Egypt	1	54.0	—	67.0	1	121.0
Jordan	2	100.0	—	—	2	100.0
Lebanon	2	77.1	—	—	2	77.1
Morocco	5	412.0	—	—	5	412.0
Tunisia	3	267.5	—	—	3	267.5
Yemen	—	—	1	33.0	1	33.0
Total	15	1,050.6	1	100.0	16	1,150.6
Grand total	124	14,243.9	104	6,592.1	228	20,836.0

— Zero.

NOTE: Supplements are included in the amount but are not counted as separate lending operations. Joint IBRD/IDA operations are counted only once, as IBRD operations.

Table 5-21. Trends in Lending, IBRD and IDA, Fiscal Years 1992–94

(amounts in millions of US dollars; fiscal years)

Sector	1992			1993			1994		
	IBRD	IDA	Total	IBRD	IDA	Total	IBRD	IDA	Total
	millions of US dollars								
Agriculture	2,525.7	1,378.3	3,904.0	1,918.8	1,347.9	3,266.7	2,233.3	1,674.0	3,907.3
Education	1,299.6	584.1	1,883.7	968.0	1,038.2	2,006.2	1,409.9	658.1	2,068.0
Energy									
Oil, gas, and coal	879.0	115.6	994.6	939.8	35.5	975.3	1,202.1	186.2	1,388.3
Power	2,824.9	238.0	3,062.9	2,093.0	520.0	2,613.0	1,368.5	—	1,368.5
Environment	—	—	—	11.5	54.8	66.3	730.5	17.3	747.8
Financial sector	1,102.0	423.3	1,525.3	637.0	318.1	955.1	1,093.5	411.1	1,504.6
Industry	142.7	200.0	342.7	250.0	83.5	333.5	422.7	272.2	694.9
Mining and other extractive	—	6.0	6.0	250.0	12.0	262.0	14.0	—	14.0
Multisector	1,970.0	1,460.1	3,430.1	2,980.0	620.8	3,600.8	606.3	815.9	1,422.2
Population, health, and nutrition	307.0	654.7	961.7	706.8	1,104.8	1,811.6	366.0	519.7	885.7
Public sector management	583.4	172.6	756.0	765.0	247.5	1,012.5	370.6	322.6	693.2
Social sector	—	—	—	—	—	—	130.0	20.6	150.6
Telecommunications	375.0	55.0	430.0	264.0	89.1	353.1	405.0	18.0	423.0
Tourism	—	—	—	130.0	—	130.0	20.0	—	20.0
Transportation	1,744.7	550.8	2,295.5	3,133.1	712.6	3,845.7	2,162.5	1,130.8	3,293.3
Urban development	868.0	333.8	1,201.8	1,139.0	171.2	1,310.2	837.0	442.4	1,279.4
Water supply and sewerage	534.0	377.4	911.4	758.5	395.4	1,153.9	872.0	103.2	975.2
Total	15,156.0	6,549.7	21,705.7	16,944.5	6,751.4	23,695.9	14,243.9	6,592.1	20,836.0
	percentage distribution								
Agriculture	16.7	21.0	18.0	11.3	20.0	13.8	15.7	25.4	18.8
Education	8.6	8.9	8.7	5.7	15.4	8.5	10.5	10.0	10.0
Energy									
Oil, gas, and coal	5.8	1.8	4.6	5.5	0.5	4.1	8.4	2.8	6.7
Power	18.6	3.6	14.1	12.4	7.7	11.0	9.6	—	6.6
Environment	—	—	—	0.1	0.8	0.3	4.5	0.3	3.6
Financial sector	7.3	6.5	7.0	3.8	4.7	4.0	7.7	6.2	7.2
Industry	0.9	3.1	1.6	1.5	1.2	1.4	3.0	4.1	3.3
Mining and other extractive	—	0.1	—	1.5	0.2	1.1	0.1	—	0.1
Multisector	13.0	22.3	15.8	17.6	9.2	15.2	4.3	12.4	6.8
Population, health, and nutrition	2.0	10.0	4.4	4.2	16.4	7.6	2.6	7.9	4.3
Public sector management	3.8	2.6	3.5	4.5	3.7	4.3	2.6	4.9	3.3
Social sector	—	—	—	—	—	—	0.9	0.3	0.7
Telecommunications	2.5	0.8	2.0	1.6	1.3	1.5	2.8	0.3	2.0
Tourism	—	—	—	0.8	—	0.5	0.1	—	0.1
Transportation	11.5	8.4	10.6	18.5	10.6	16.2	15.2	17.2	15.8
Urban development	5.7	5.1	5.5	6.7	2.5	5.5	5.9	6.7	6.1
Water supply and sewerage	3.5	5.8	4.2	4.5	5.9	4.9	6.1	1.6	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

— Zero.

***Table 5-22*. Projects Approved for IBRD and IDA Assistance in Fiscal Year 1994, by Sector**
(millions of US dollars)

Sector[a]	IBRD	IDA	Total
Agriculture			
Algeria	30.0	—	30.0
Belarus	41.9	—	41.9
Benin	—	9.7	9.7
Bhutan	—	5.4	5.4
Bulgaria	50.0	—	50.0
China	—	150.0	150.0
China	—	200.0	200.0
China	460.0	—	460.0
China	—	205.0	205.0
China	—	150.0	150.0
China	—	110.0	110.0
Colombia	39.0	—	39.0
Côte d'Ivoire	—	21.8	21.8
Côte d'Ivoire	—	2.2	2.2
Ecuador	20.0	—	20.0
Egypt	54.0	67.0	121.0
Ghana	—	21.5	21.5
Ghana	—	5.7	5.7[b]
Guyana	—	15.0	15.0
Honduras	—	60.0	60.0
Honduras	—	27.9	27.9[b]
India	—	258.0	258.0
India	—	77.4	77.4
India	—	47.0	47.0
Indonesia	65.0	—	65.0
Indonesia	165.7	—	165.7
Indonesia	55.0	—	55.0
Lao People's Democratic Republic	—	8.7	8.7
Latvia	25.0	—	25.0
Lebanon	57.2	—	57.2
Malaysia	70.0	—	70.0
Mali	—	20.0	20.0
Mauritania	—	18.2	18.2
Mexico	200.0	—	200.0
Morocco	100.0	—	100.0
Morocco	121.0	—	121.0
Morocco	25.0	—	25.0
Nicaragua	—	44.0	44.0
Poland	146.0	—	146.0
Russia	240.0	—	240.0
Russia	80.0	—	80.0
Rwanda	—	15.0	15.0
Tanzania	—	24.5	24.5
Tunisia	120.0	—	120.0
Tunisia	27.5	—	27.5

Sector[a]	IBRD	IDA	Total
Agriculture *(continued)*			
Uganda	—	14.0	14.0
Uruguay	41.0	—	41.0
Viet Nam	—	96.0	96.0
Total	2,233.3	1,674.0	3,907.3
Education			
Albania	—	9.6	9.6
Barbados	7.8	—	7.8
Benin	—	18.1	18.1
Brazil	206.6	—	206.6
Brazil	150.0	—	150.0
Brazil	96.0	—	96.0
Colombia	90.0	—	90.0
Côte d'Ivoire	—	17.0	17.0
Côte d'Ivoire	—	100.0	100.0 [b]
Côte d'Ivoire	—	85.0	85.0 [b]
Indonesia	27.7	—	27.7
Indonesia	58.9	—	58.9
Kenya	—	21.8	21.8
Kenya	—	42.2	42.2 [b]
Korea, Republic of	190.0	—	190.0
Mexico	412.0	—	412.0
Nepal	—	20.0	20.0
Niger	—	41.4	41.4
Pakistan	—	200.0	200.0
Romania	50.0	—	50.0
Uruguay	31.5	—	31.5
Venezuela	89.4	—	89.4
Viet Nam	—	70.0	70.0
Yemen	—	33.0	33.0
Total	1,409.9	658.1	2,068.0
Energy			
Oil, gas, and coal			
China	255.0	—	255.0
Estonia	38.4	—	38.4
Ethiopia	—	74.3	74.3
Hungary	100.0	—	100.0
Jordan	80.0	—	80.0
Kazakhstan	15.7	—	15.7
Lithuania	26.4	—	26.4
Madagascar	—	51.9	51.9
Mozambique	—	30.0	30.0
Papua New Guinea	11.0	—	11.0
Romania	175.6	—	175.6
Russia	500.0	—	500.0
Zambia	—	30.0	30.0
Total	1,202.1	186.2	1,388.3

(continued)

Table 5-22 (continued)

Sector[a]	IBRD	IDA	Total
Energy *(continued)*			
Power			
China	350.0	—	350.0
Indonesia	260.5	—	260.5
Pakistan	230.0	—	230.0
Philippines	211.0	—	211.0
Philippines	227.0	—	227.0
Zimbabwe	90.0	—	90.0
Total	1,368.5	—	1,368.5
Environment			
China	160.0	—	160.0
Gambia, The	—	2.6	2.6
Indonesia	56.5	—	56.5
Korea, Republic of	90.0	—	90.0
Mexico	368.0	—	368.0
Morocco	6.0	—	6.0
Pakistan	—	14.7	14.7
Paraguay	50.0	—	50.0
Total	730.5	17.3	747.8
Financial sector			
Argentina	500.0	—	500.0
Argentina	8.5	—	8.5
Caribbean Region	20.0	11.0	31.0
Colombia	30.0	—	30.0
Côte d'Ivoire	—	50.0	50.0 [b]
Côte d'Ivoire	—	100.0	100.0 [b]
Korea, Republic of	100.0	—	100.0
Mozambique	—	200.0	200.0
Mozambique	—	9.0	9.0
Russia	200.0	—	200.0
Rwanda	—	12.0	12.0
Slovenia	80.0	—	80.0
Tunisia	120.0	—	120.0
Uganda	—	1.1	1.1 [b]
Uruguay	35.0	—	35.0
Zambia	—	18.0	18.0
Zambia	—	10.0	10.0 [b]
Total	1,093.5	411.1	1,504.6
Industry			
Bangladesh	—	247.0	247.0
Bangladesh	—	3.3	3.3 [b]
Comoros	—	5.1	5.1
Mauritius	7.7	—	7.7
Philippines	40.0	—	40.0
Romania	175.0	—	175.0
Russia	200.0	—	200.0
Zambia	—	16.8	16.8 [b]
Total	422.7	272.2	694.9
Mining and other extractive			
Ecuador	14.0	—	14.0
Total	14.0	—	14.0

Sector[a]	IBRD	IDA	Total
Multisector			
Belarus	8.3	—	8.3
Belarus	120.0	—	120.0
Bolivia	—	9.4	9.4 [b]
Burkina Faso	—	25.0	25.0
Cambodia	—	62.7	62.7
Cameroon	—	75.0	75.0
Cameroon	—	50.0	50.0
Cameroon	—	51.0	51.0 [b]
Chad	—	20.0	20.0
Congo	—	100.0	100.0
El Salvador	50.0	—	50.0
Ethiopia	—	0.5	0.5 [b]
Gabon	30.0	—	30.0
Guyana	—	2.8	2.8 [b]
Kazakhstan	38.0	—	38.0
Kazakhstan	180.0	—	180.0
Macedonia, FYR of	40.0	40.0	80.0
Malawi	—	4.3	4.3 [b]
Mali	—	25.0	25.0
Moldova	60.0	—	60.0
Mongolia	—	20.0	20.0
Niger	—	25.0	25.0
Senegal	—	25.0	25.0
Sierra Leone	—	50.0	50.0
Sierra Leone	—	0.2	0.2 [b]
Slovak Republic	80.0	—	80.0
Uganda	—	80.0	80.0
Zambia	—	150.0	150.0
Total	606.3	815.9	1,422.2
Population, Health, and Nutrition			
Argentina	100.0	—	100.0
Brazil	160.0	—	160.0
Burkina Faso	—	29.2	29.2
Burkina Faso	—	26.3	26.3
Chad	—	18.5	18.5
China	—	110.0	110.0
Comoros	—	13.0	13.0
Costa Rica	22.0	—	22.0
Guinea	—	24.6	24.6
India	—	117.8	117.8
India	—	88.6	88.6
Malaysia	50.0	—	50.0
Nepal	—	26.7	26.7
Nicaragua	—	15.0	15.0
Peru	34.0	—	34.0
Uganda	—	50.0	50.0
Total	366.0	519.7	885.7

(continued)

Table 5-22 (continued)

Sector[a]	IBRD	IDA	Total
Public-sector Management			
Benin	—	5.2	5.2
Cape Verde	—	8.1	8.1
El Salvador	2.5	—	2.5
Hungary	29.0	—	29.0
Jamaica	35.0	—	35.0
Jamaica	13.2	—	13.2
Kyrghz Republic	—	60.0	60.0
Lebanon	19.9	—	19.9
Lesotho	—	11.0	11.0
Malawi	—	22.6	22.6
Mauritania	—	1.3	1.3 [b]
Nicaragua	—	60.0	60.0
Nicaragua	—	7.6	7.6 [b]
Pakistan	—	46.8	46.8
Pakistan	150.0	100.0	250.0
Turkey	100.0	—	100.0
Uzbekistan	21.0	—	21.0
Total	370.6	322.6	693.2
Social Sector			
Albania	—	5.4	5.4
Albania	—	5.5	5.5
Ecuador	30.0	—	30.0
Lao People's Democratic Republic	—	9.7	9.7
Peru	100.0	—	100.0
Total	130.0	20.6	150.6
Telecommunications			
China	250.0	—	250.0
Czech Republic	80.0	—	80.0
Jordan	20.0	—	20.0
Kyrghz Republic	—	18.0	18.0
Slovak Republic	55.0	—	55.0
Total	405.0	18.0	423.0
Tourism			
Belize	20.0	—	20.0
Total	20.0	—	20.0
Transportation			
Bangladesh	—	146.8	146.8
Bangladesh	—	200.0	200.0
Brazil	220.0	—	220.0
China	380.0	—	380.0
China	150.0	—	150.0
China	140.0	—	140.0
Estonia	12.0	—	12.0
India	94.0	—	94.0
Indonesia	350.0	—	350.0
Indonesia	101.5	—	101.5
Kazakhstan	40.0	—	40.0
Lao People's Democratic Republic	—	30.0	30.0
Madagascar	—	13.1	13.1

Sector[a]	IBRD	IDA	Total
Transportation *(continued)*			
Mali	—	65.0	65.0
Mongolia	—	30.0	30.0
Mozambique	—	188.0	188.0
Nepal	—	50.5	50.5
Panama	60.0	—	60.0
Paraguay	65.0	—	65.0
Peru	150.0	—	150.0
Russia	300.0	—	300.0
Senegal	—	3.7	3.7 [b]
Tanzania	—	170.2	170.2
Uganda	—	75.0	75.0
Venezuela	100.0	—	100.0
Viet Nam	—	158.5	158.5
Total	2,162.5	1,130.8	3,293.3
Urban Development			
Albania	—	15.0	15.0
Armenia	—	28.0	28.0
Bolivia	—	42.0	42.0
Brazil	150.0	—	150.0
Chad	—	17.4	17.4
Chile	10.0	—	10.0
Croatia	128.0	—	128.0
Gambia, The	—	11.0	11.0
Ghana	—	38.5	38.5
India	—	246.0	246.0
Indonesia	174.0	—	174.0
Indonesia	175.0	—	175.0
Madagascar	—	18.3	18.3
Mexico	200.0	—	200.0
Togo	—	26.2	26.2
Total	837.0	442.4	1,279.4
Water Supply and Sewerage			
Albania	—	11.6	11.6
Algeria	110.0	—	110.0
Benin	—	9.8	9.8
Brazil	154.0	—	154.0
Bulgaria	98.0	—	98.0
Ghana	—	22.0	22.0
Guyana	—	17.5	17.5
Mexico	350.0	—	350.0
Morocco	160.0	—	160.0
Uganda	—	42.3	42.3
Total	872.0	103.2	975.2
Grand total	14,243.9	6,592.1	20,836.0

— Zero.

NOTE: For additional details, see Appendixes 6 and 7.

a. Many projects include activity in more than one sector or subsector.

b. Supplementary financing to a previous loan, not counted as a separate operation.

Section Six
Other World Bank Group Services and Activities

Operations Evaluation

Operations evaluation in the Bank provides a systematic, comprehensive, and independent assessment of Bank operations and activities. Its principal goals are to account for the outcome of Bank-supported projects and programs and to use the lessons from that experience to improve the design and conduct of future operations.

The director general, operations evaluation, has overall responsibility for evaluation. He reports directly to the Bank's executive board, with an administrative link to the president, and is supported by the Operations Evaluation Department (OED). The constitutional independence of evaluation in the Bank encourages evaluation staff to report candidly and allows them access to all relevant information and to select any topic for analysis.

The Joint Audit Committee of the executive board oversees the work of the OED. In fiscal 1994 the findings and recommendations of the committee were reviewed by the full board, as were the fiscal 1993 annual report of the director general, the annual review of evaluation results for 1992, and the evaluation work program for fiscal 1995.

Evaluation work program. The year's work in evaluation saw the realization of initiatives taken in response to the recommendations, made in 1993, of the Task Force on Portfolio Management. The task force recommended that the Bank strengthen its independent evaluation work—and the application of evaluation results to the Bank's current operations and policy development—as part of efforts to improve the performance and developmental impact of the Bank's lending operations.

The Bank's evaluation work program includes completion reports by operational staff; performance audit reports and impact evaluation reports on individual operations by the OED; and evaluation studies by the OED, including country and sector lending studies and reviews of Bank policies and processes.

Completion reports are prepared by the Bank's operational staff on all lending operations at the time the Bank completes disbursements. Staff of borrower agencies contribute to these reports. The reports allow the Bank's staff to discern and internalize the lessons of experience specific to the country and sector in which they work. The OED reviews all completion reports to assess their quality, record data, and facilitate the transfer of experience to new operations. The reports are sent to the board with an evaluative note from the director general.

Performance audits validate and augment the information provided in completion reports and examine topics of special interest so as to provide inputs for the OED's evaluation-studies program. The OED structures its audit work program (with regard to choice of projects, topics to be analyzed, and analytical approaches to be used) to provide inputs for comparative studies, as well as to meet requirements for accountability.

In fiscal 1994 the OED audited 80 percent of adjustment lending operations and at least 40 percent of the Bank's investment operations. The OED reviewed 266 completion reports in fiscal 1994 and audited 122 of them, of which ninety-nine were for investment projects and twenty-three for adjustment operations. The cumulative total of Bank operations subjected to *ex-post* evaluation reached 3,590 at the end of the fiscal year.

In its *impact evaluation* work, the OED, assisted by agencies in borrower countries, takes a second look at projects five to eight years after the close of disbursements. These reports focus on evaluating project impact, including intended and unintended effects. They are a powerful tool for assessing social and environmental impacts and economic worth, and offer valuable insights into what makes development sustainable. In fiscal 1994 seven impact evaluations were issued on projects in agriculture, treecrops, transmigration, and petrochemicals.

Evaluation studies are designed to examine particular programs, policies, or issues in a context broader than individual lending operations. The OED designs its studies program to investigate issues revealed by its audit work and to respond to current concerns of the Bank's board, management, and staff. In fiscal 1994, the OED sent eleven studies to the board.

Country-assistance reviews, introduced in fiscal 1994, assess the suitability of the Bank's assistance strategy in particular countries and the effectiveness of the instruments chosen. A review of Bank-Mexico relations was completed and work began on country-assistance reviews for Argentina, the Caribbean states, and Ghana. These reviews are geared to assessments of lending and nonlending services, and they offer lessons and recommendations for the Bank's regional staff to feed into country-portfolio performance reviews and the design of country-assistance strategies.

Process reviews examine how well the Bank applies its policies and assess the efficiency and effectiveness of business practices in reaching their intended development goals. In fiscal 1994 the OED issued a study of monitoring and evaluation in Bank-supported projects.

Sector reviews feed into the Bank's reviews of its sector-lending policies. Often these studies compare experience across countries; others are in-depth reviews of particular sectors in individual countries. Sector studies issued in fiscal 1994 covered urban development, agricultural extension, telecommunications, rural electrification in Asia, transport corridors in Africa, transmigration in Indonesia, gender issues in the Bank's lending, and industrial reorientation in East Africa. Topics of ongoing studies include the social impact of adjustment programs, irrigation, experience in lending for education, industrial restructuring, electric power in Africa, and the Bank's assistance for public sector management.

Dissemination and feedback. For some years the Bank's operational guidelines have required staff to seek out evaluation findings and apply them in new operations. To reinforce the actions the Bank is taking to strengthen portfolio management and the quality of new operations, the OED collaborated in fiscal 1994 with the Bank's central vice presidencies on the design of better methods for appraising projects and rating their progress. These efforts included:

- The introduction of selective dissemination of lessons learned in connection with proposals for new lending operations.

- Evaluation by the OED of the processes the Bank uses to review the progress of the portfolio under implementation. The OED recommended a revision of the rating system that the Bank uses for gauging the performance of projects in progress (see Box 4-4 on page 77); it is now collaborating with the Operations Policy Department to produce more reliable indicators of projects' expected development impact.

- The introduction of a "policy ledger," recording the responses of Bank management to the recommendations of OED studies, for reference by Bank staff.

In fiscal 1994 OED published *Human Resource Development in Sub-Saharan Africa; Evaluation Results for 1992*, including analyses of the Bank's assistance in agriculture and in institutional development; and a booklet, *Assessing Development Effectiveness: Evaluation in the World Bank and International Finance Corporation*. With the United Nations Development Programme and the United Nations Environment Programme, it published *The Global Environment Facility: Independent Evaluation of the Pilot Phase*.

Recognizing the need to take a more active role in disseminating lessons of experience to practitioners outside the Bank, the OED expanded the distribution of its "Précis" series and began a new series, "Lessons & Practices."

Twenty OED "Précis" were published. This series highlights findings and recommendations from evaluation studies and audits; it is issued in English, French, and Spanish.

Three issues of "Lessons & Practices" were published, covering railways, area development, and adjustment lending. This series synthesizes lessons and recommendations arising from the Bank's development experience.

The OED presented the results of its audits and studies at seminars within and outside the Bank, including some organized by borrower countries.

Support for evaluation in borrower countries. A growing number of the Bank's borrowing members have asked for help in establishing or strengthening evaluation agencies. Changing views on the role of the state, together with increasing scarcity of resources, are focusing attention on the effectiveness, efficiency, and accountability of public institutions as well as of public policies and programs.

OED support begins after a country makes a commitment to develop the evaluation function. During fiscal 1994 the OED attended to requests for advice on evaluation capacity development from Argentina, Brazil, China, Colombia, Indonesia, and Sri Lanka. Activities included designing diagnostic studies on evaluation capacity; organizing training and workshops; organizing the participation of country staff in OED's evaluation missions; and promoting borrower participation in the Bank's evaluation processes.

In response to a recommendation of the portfolio management task force, another task force made recommendations to the Bank's board of executive directors and management on future policy for assisting borrower countries to develop evaluation capacity in the public sector.

Other activities. OED participated as an observer in meetings of the OECD's DAC (Development Assistance Committee) Expert Group. Evaluation staff participated in training activities and attended workshops and seminars with evaluators from other international organizations and donor countries. They continued to participate as "resource persons" in seminars of the Economic Development Institute.

Internal Auditing

The Internal Auditing Department (IAD) acts as an independent appraiser that reviews and evaluates Bank operations and activities. It is headed by an auditor general who reports functionally to the president of the Bank and, since December 1991, administratively to the vice president and controller.

In response to requests from Bank management during the year, the IAD conducted a number of special reviews, including those of the $30 million technical assistance program to the Union of Soviet Socialist Republics (established in August 1991), the Africa Capacity Building Facility, the main complex rehabilitation project, and a number of field offices. These reviews were in addition to the regular work program, which, while covering all aspects of the Bank's administration, continued to emphasize the Bank's operations and focus on traditional topics such as the procurement of goods, works, and services; the disbursement process; and evaluation of procedures used to ensure proper accountability of borrowers during project implementation.

Staff from IAD also provided technical assistance as part of an implementation mission to Russia by carrying out an evaluation of developments in auditing and locally established audit firms.

A Bankwide review of time-recording systems currently in use was completed, and new, comprehensive audits were undertaken on loan processing in the East Asia and Pacific and Africa regions. A Bankwide review of internal controls was also initiated. The department's work program of regular audits of the Bank's financial and accounting systems and procedures was closely coordinated with reviews undertaken by the Bank's external auditors to avoid duplication of effort and maximize the audit coverage.

The Bank relies on information technology to support its business functions. In recognition of this reliance, the department conducted a series of technical audits addressing management, security, and control issues pertaining to the three principal computing environments in the Bank. The IAD also undertook computer-application reviews and system-development audits focusing on the efficiency, effectiveness, and control of critical applications. In order to position itself for an expanded program of audits in this increasingly important information-resource management area, the IAD added a significant contingent of staff with relevant experience.

In order to satisfy the professional standards of internal auditing, an external Quality Assurance Review of the department's policies and procedures was also commissioned during the past fiscal year.

Economic Development Institute

In fiscal 1994, a five-year strategic plan for the Economic Development Institute (EDI), designed to respond to the needs, challenges, and possibilities of the times, was developed. A key component of the plan, the mission statement, stresses the institute's commitment to investing in people and ideas as the most powerful means of development—a concept that distinguishes EDI's role from that of the operational arm of the World Bank, which invests much of its resources in physical infrastructure. At the same time, however, the plan is committed to undertake activities that center on the Bank's objectives of reducing poverty and promoting sustainable and equitable development.

Training. During the past year, the EDI conducted 140 training activities (see Table 6-1). A notable expansion in activities took place in the Europe and Central Asia region, where some fifty activities were carried out, an increase of seven over the previous year. Despite the high demand for EDI's assistance in that region, the institute nevertheless also increased the size of its program in Africa. The training program in Africa included an effort to increase the effectiveness of educational reforms through a seminar that brought together twenty-three education experts from The Gambia, Malawi,

***Table 6-1*. Regional Distribution of EDI Training Programs in Fiscal Year 1994**

Region	Activities
Africa	41
Asia	22
Europe and Central Asia	50
Latin America and the Caribbean	12
Middle East and North Africa	11
Global	4
Total	140

Nigeria, Tanzania, and Zambia with Bank staff responsible for education projects in those countries. The seminar was felt to have been highly successful in creating a forum for the open exchange of ideas between the Bank and its borrowers, thereby helping to reshape both the governments' perspectives as well as the Bank's lending operations in those countries.

Although the total number of activities conducted remained about the same as in the previous year, the number of participants trained increased from 4,469 to 4,900.

The increase in the number of participants reflects a change in the "mix" of activities: fewer small seminars for senior officials and more courses in economic and sector management and "training of trainers"—courses that usually have a larger number of participants.

Program in the former Soviet Union (FSU). In response to the growing demand for assistance in the republics of the FSU, the EDI worked closely with local universities—the Tashkent State University of Economics, the Kazakh State Academy of Management, and the Economics State University of Kiev, for example—in designing seminars, recruiting trainers, and preparing teaching materials in local languages. The enterprise-management program in the FSU is a good example of a training-of-trainers program in which EDI first trains local trainers and then uses the local trainers to train practitioners. During fiscal 1994, 2,200 participants were directly or indirectly trained in this highly successful program.

Training materials and publications. EDI prepares most of its own training materials in the form of manuals, books, case studies, and collections of analytical papers and distributes them through its courses and seminars and, on request, to partner training institutions and senior officials and policymakers worldwide. The content of these materials often derives from World Bank experience, including country and sector studies, research reports, case studies of Bank projects, and Operations Evaluation Department findings. In fiscal 1994, EDI published eighty titles for use in its courses and seminars.

While most of EDI's materials are published in English, a certain number are issued in other languages, as well. In addition to five Russian titles published during the year, materials were also translated into French, Spanish, Chinese, and Arabic.

Scholarship and fellowship programs. The World Bank Graduate Scholarship Program, funded by the government of Japan, saw a class of twenty-five students graduate with a master's degree in Economic Policy Management from Columbia University. In all, the core program of the program, which supports students at universities of their choice worldwide, awarded ninety-four scholarships in fiscal 1994.

Changes were made in the Robert S. McNamara Fellowships Program that, beginning in fiscal 1995, would enable it to become a program of developing country research, with smaller fellowships and larger numbers of fellows. Through fiscal 1994, research had to be conducted outside a fellow's home country.

Initiatives undertaken. In adjusting to changes in its environment, the EDI introduced several initiatives to its core program:

- A program for the Occupied Territories was launched. The program, which began in June 1994, emphasizes efficient management of external assistance through training in topics such as project assessment, project management and procurement, restructuring of the regulatory framework in the housing sector, and development of policies that support economic development.
- In response to the 1993 report of the Task Force on Portfolio Management, the EDI began a program in portfolio management that is being supported by a series of training manuals and case studies that, in particular, deals with the economic analysis of projects, procurement, and project management. Initial implementation of this work began in fiscal 1994 in the FSU; the program is slated to be extended into China, Viet Nam, and the Occupied Territories.
- The EDI's program on environmentally sustainable development was expanded to include training to improve policies and practices in the involuntary resettlement of persons displaced by the effects of development projects. This expanded program was carried out during the year in China, India, and Turkey. In addition, a new program in environmental analysis and valuation to help governments deal with industrial pollution was designed in collaboration with the Foundation for Advanced Studies in International Development (Tokyo). This program, funded by the government of Japan, includes techniques for assessing, prioritizing, and managing environmental problems in the transitional economies of Central and Eastern Europe.
- Many of the EDI's teaching materials now include computer-based components and multimedia techniques. In addition to publishing a large number of its training materials on CD-ROM, the EDI has begun to use teleconferencing to bring together developing country officials and Bank staff. For example, as part of a seminar held in Cameroon in early 1994, journalists from French-speaking Africa were

briefed by senior managers from the World Bank on important concepts that underlie economic reform. The United States Information Agency's Worldnet not only linked the journalists (in Yaoundé) with Bank officials (in Washington) but also broadcast the teleconference throughout Africa.

Joint Vienna Institute. The Joint Vienna Institute, which was established in collaboration with four other agencies—the International Monetary Fund, the Bank for International Settlements, the European Bank for Reconstruction and Development, and the Organisation for Economic Co-operation and Development—continues to conduct and host courses in market economics for officials from transitional economies. In its first year—September 1992 through August 1993—the institute organized forty-four seminars, totaling 108 training weeks, and involving more than 1,150 officials and managers from about thirty economies in transition. In fiscal 1994, the institute, which had been functioning under interim and informal arrangements, was established as an international organization under a board of directors composed of representatives of the sponsoring organizations.

EDI's Moscow office. The great demand for courses in the Europe and Central Asia region led the EDI to establish its first overseas office, in Moscow. The office is currently staffed by fifteen locally recruited trainers who coordinate and conduct training activities in the FSU (including those related to the Joint Vienna Institute) in collaboration with EDI's Washington-based staff.

Research at the World Bank

The Bank's contribution to a more comprehensive understanding of the processes of growth and development relies to a great extent on the research it conducts. That research is intended to provide information to enhance policy making of government officials who face rapidly changing domestic and global circumstances. It also answers questions that arise in designing and adapting the Bank's lending program to the needs of its members.

The major objectives of the Bank's current programs are poverty reduction and human resources development, enhancement of the role of women in development, private sector development, environmentally sustainable development, and economic management. Bank research is focused on those areas where critical policy questions remain unanswered.

Poverty reduction and human resources development. Poverty and human resources issues continue to dominate the Bank's research agenda, with a focus on the links between policy and poverty reduction. One ongoing project is studying the effect of price liberalization on the rural poor in China; another is exploring how macroeconomic and sectoral policies affected consumption in India during 1951–90. Analysis of a panel data set constructed from rural household surveys in China is expected to lead to better understanding of the ways families rise out of poverty in rural China, and research on improving the productivity of women will examine the sustainability of three credit programs for the rural poor in Bangladesh.

Analysis of issues relating to economic growth and poverty reduction has been confounded by the scarcity of data and reliable measures that are comparable across countries. A cross-country data base for 1981–91, using uniform poverty measures and purchasing power parities, presents a disturbing picture: Nearly one out of three people in the world lives in poverty, and the number of poor has been growing commensurate with increases in the population.

Research on economic success and concomitant reduction in poverty in several Asian countries has prominently cited education as a critical factor in that success. A study conducted during fiscal 1994 analyzed the role of secondary education in raising labor productivity and in facilitating economic transition from agriculture to more capital-intensive services in newly industrializing Asian developing economies. Further study is now under way on ways to improve educational systems in developing countries. A major interagency project concluded during the year found that government subsidies for basic education yield important benefits and that public expenditures on higher education in poorer countries undermine equity and efficiency. Evidence on educational achievement and the cost-effectiveness of schooling inputs, analyzed in a fiscal 1994 study, has yielded recommendations for actions to improve educational outcomes. When families are willing to invest in the health and education of their members, the quality and availability of local social services critically influence the outcomes of their investments; Bank research completed during the year indicates the relative payoffs to different service programs and strategies across many countries and years.

An interagency study of contraceptive use suggests that policies to limit population growth must be tailored to a country's socioeconomic development. Three countries in different stages of the fertility transition demonstrated wide variations in response to different variables such as income, education, and access to contraceptive services.

Improvement of health programs is the objective of a study that is measuring the effect of higher user fees on the use of primary health services in Indonesia. Another is resurveying health and education indicators and facilities in Morocco to provide the basis for analyzing a crucial set of issues in the area of government expenditures on social services. Using an unusual longitudinal data set for Africa, one project is trying to identify the link between health and labor productivity.

Research on the impact of unions and policy interventions in the labor market on short-term adjustment and long-term economic performance will help to assess the appropriateness of the Bank's focus on product market reforms in the 1980s. It will also analyze the extent to which the private sector in developing countries has been able to circumvent government interventions in the labor market during the past two decades. A three-year study examined critical labor market policies and strategies to minimize the social costs of wage and labor reforms by improving the competitive operation of labor markets and increasing the efficiency of public and private spending on education and training. The goal was to identify "best practices" to improve labor market performances that have a bearing on the condition of the poor. The results of another labor market study, which will be published as a handbook on labor market policy, is designed to contribute to the policy dialogue between the Bank and member governments.

Environmentally sustainable development. The creation of the Environmentally Sustainable Development vice presidency has centralized resources for analysis of common and global environmental issues. Simultaneously, environmental research has been initiated in different units of the Bank to address local or regional environmental concerns. During fiscal 1994 the Bank investigated land use, conservation of biodiversity, and development in the Amazon floodplain; coastal zone management in the tropical areas of Latin America; and sustainable resettlement in areas of Western Africa from which people had migrated because of riverblindness infestation and to which they are now returning following the eradication of the black fly. Research of global significance includes analysis of the relationships among population growth, environmental degradation, and economic growth and a preliminary investigation into whether lumberwood plantations can help recover degraded pastureland and whether they can act as havens for the rehabilitation of indigenous species.

Private sector development. For many developing and transitional economies, private sector growth is constrained by high local transaction costs, uncompetitive currencies, and government interventions and restrictions that raise costs and limit opportunities to take advantage of otherwise competitive factor prices. In many countries the legacy of past problems is a moribund industrial sector for which bankruptcy and restructuring are the only answers; a research project developing recommendations for bankruptcy law is investigating what might be the most appropriate legal and regulatory framework.

In other cases, public sector infrastructure failures are so pervasive and costs so high that it is necessary to commercialize infrastructure services for the private sector to grow. The determinants of service contracting are being investigated to develop recommendations for commercialization of infrastructure. Transport systems are similarly overburdened and underfunded, and a set of performance indicators is being developed to help policymakers focus on priority areas for maintenance, upgrading, and investment.

Despite these problems, firms emerge and grow, and research is examining how they do. In Russia, determinants of private sector success are being analyzed; the study is also examining the potential usefulness of business service centers to provide information, credit, and advice to new entrepreneurs. The difficult process of commercialization and transfer of firms from the public to private sector in Poland has been relatively successful, and Bank research has uncovered lessons that other countries, both transitional and developing, can learn from that experience.

For many developing countries, the agricultural sector is the largest potential source of growth and development, and research is under way on a range of issues in agricultural development. In the former Soviet Union, land reform and farm restructuring is needed before farmers will respond to improved incentives, and a Bank project is investigating constraints to, and ways to enhance, that process. Alternative agricultural policies in Poland are being analyzed for their implications for other post-socialist countries, and a broader study is examining the transition of socialist agriculture in Europe and Asia.

Macroeconomic issues and economic management. Adjustment of fiscal and external balances, reduction of the role of government in production, and relieving constraints on the private sector have been the focus of economic reform in Africa for more than a decade. But growth continues to be elusive, and the reasons why are not readily apparent. A study of adjustment in twenty-nine African countries, completed in fiscal 1994, uncovered some answers: budget deficits and inflation remain high, and overvalued currencies make African products uncompetitive in international markets. The study found that those countries adopting reforms have grown; those only beginning the reform process still have a long way to go; and those not adopting reforms are experiencing alarming economic declines.

The catalyst for growth in many countries has been expansion of production for export. While the means and benefits of liberalizing trade policies have been well documented, drawn-out multilateral negotiations in the Uruguay Round of the General Agreement on Tariffs and Trade have generated renewed interest in groupings to promote regional trade. Research was conducted on regional arrangements and their advantages and costs relative to international agreements in order to advise developing country officials on the strategies that would be of greatest benefit.

Progress in the generation of government revenues continues to be highly variable across countries, and research on ways to mobilize resources for public services has been a staple of Bank research for years. The focus of public economics research shifted in fiscal 1994, however, toward public expenditures and fiscal decentralization. New projects are investigating expenditure equalization among provincial and local governments, are examining instruments for allocating expenditure responsibilities and revenues from central to local governments, and are studying the effects of fiscal decentralization on various measures of performance.

The Bank's sixth annual conference on development economics surveyed five topics: the transition in socialist economies; new institutional economics; economic geography—the dynamics of disparate regional development; pressures driving international migration; and labor markets under systemic change. The presentation of eleven papers on these topics was supplemented by a keynote speech on current development issues by the Bank's vice president, Development Economics and Chief Economist, and a roundtable discussion on employment and development (it was the initial forum on the theme of *World Development Report 1995*). The papers, with discussant comments, the keynote speech, and a summary of the roundtable discussion, will be published as *Proceedings of the World Bank Annual Conference on Development Economics, 1994*.

The Administrative Budget and Bank Administration

The Bank's administrative budget for fiscal 1994, as approved by the executive directors in fiscal 1993, was $1,388.7 million. Late in fiscal 1994, the directors approved an administrative budget for fiscal 1995 of $1,420.3 million, an increase of 2.4 percent in nominal terms (see Table 6-2).

The fiscal 1995 budget was designed to enable units to implement priority objectives with increased attention to project quality at entry and supervision. Special attention will be given to four key issues.

- Poverty reduction will be reflected in all components of country-assistance strategies involving greater staff intensity per operation.
- Portfolio-management activities will receive further emphasis to improve project implementation so as to enhance the developmental impact of Bank operations.
- Country dialogue on policy reform will be strengthened, and efforts to develop investment-lending opportunities increased, particularly in the newer members and in those moving out of adjustment lending.
- Collaboration with other multilateral and nongovernmental organizations and the private sector will be increased to make maximum use of the capacities of others.

World Bank regular and fixed-term staff on board at the end of fiscal year 1994 totaled 6,338, of whom 4,145 were higher-level staff from 123 nations. The number of staff increased 2.3 percent from the previous year; higher-level staff grew by 3.5 percent. Of the higher-level staff, 59 percent were from industrialized countries; the remaining 41 percent were from developing countries.

At the end of the year, 1,166 higher-level, long-term consultants (those with contracts with a duration of six months or more) were working for the Bank, an increase of 27.7 percent over fiscal year 1993, and 508 regular and fixed-term staff were in special positions.

Women employed as higher-level staff by the Bank increased from 28.4 percent of the total to 30.0 percent during fiscal 1994. The Bank recruited 257 new higher-level staff in fiscal 1994, of whom 32.7 percent were from developing countries and 39.3 percent were women. Forty-two of the Bank's recruits were selected through the Young Professionals Program; thirty were from developing countries, and eighteen were women. As an experiment, the Young Professionals Program hired ten technical specialists, rather than economists or financial specialists. The experiment proved to be a success, and the program will be expanded to hire more technical specialists and fewer economists and financial analysts in fiscal 1995. A special skills-mix recruitment strategy was set in motion to hire staff in seven skills areas greatly in need in the Bank. One hundred

Table 6-2. World Bank Budget by Expense Category and Administrative Program, 1992–95
(millions of US dollars; fiscal years)

Item	Actual 1992	Actual 1993	Actual 1994	1995 program
Expense category				
Staff costs	699.0	771.2	851.8	878.8
Consultants	89.2	104.8	113.7	128.2
Contractual services/representation	37.3	42.9	66.3	49.6
Operational travel	113.5	122.0	129.8	134.4
Overhead	176.1	209.1	231.6	215.0
Direct contributions to special grants program[a]	58.6	80.7	102.5	90.5
President's contingency[b]	n.a.	n.a.	n.a.	14.1
Reimbursements	(100.5)	(95.3)	(107.3)	(113.8)
Accrual for resettlement on termination	n.a.	n.a.	n.a.	23.0
Allocation for pending benefit initiatives[c]	n.a.	n.a.	n.a.	0.6
Total	1,074.0	1,235.6	1,388.4	1,420.3
Administrative program[d]				
Operational	496.3	582.0	612.2	630.7
Financial	87.0	92.4	98.5	102.1
Development and advisory	175.6	172.3	216.6	217.5
Administrative support	106.3	106.0	119.7	116.6
Corporate management and legal services	38.4	40.6	45.1	48.1
Total	903.6	993.3	1,092.1	1,115.0
Overhead/benefits[e]	154.0	193.8	210.3	223.0
President's contingency	n.a.	n.a.	n.a.	14.1
Reimbursements	(100.5)	(95.3)	(107.3)	(113.8)
Net administrative programs	957.0	1,091.7	1,195.0	1,238.3
Special programs[f]	65.7	88.8	110.2	98.4
Boards	40.1	43.1	46.5	53.9
Operations evaluation	11.2	12.0	13.8	14.6
Nondiscretionary items[g]	n.a.	n.a.	n.a.	14.6
Allocation for pending benefit initiatives[c]	n.a.	n.a.	22.9[i]	0.6
Total budget	1,074.0	1,235.6[h]	1,388.4	1,420.3[i]

NOTE: Details may not add to totals because of rounding.

n.a. Not applicable.

a. Includes Institutional Development Fund in fiscal 1993–95.

b. Allocations from president's contingency have been included in respective categories/programs for fiscal 1992–94.

c. Subject to executive board approval.

d. Fiscal 1992–93 figures differ from those in the fiscal 1993 *Annual Report* due to a change in the methodology of allocating benefits to different programs.

e. Centrally managed overhead and benefits.

f. Includes administrative expenses, and an additional $13 million for the Consultative Group for International Agricultural Research in fiscal 1994; the remaining $7 million will be paid in fiscal 1995.

g. Includes $7.1 million underfunding in the currency option of the Staff Retirement Plan (SRP), a net saving of $8.1 million under the Retired Staff Benefit Plan, a savings of $9.7 million due to SRP portfolio gains, and a $25.3 million provision for resettlement on termination due to accounting changes.

h. Excludes $20 million for Somalia relief.

i. Includes $25.3 million provision for resettlement, of which $22.9 million was ultimately paid from a budget underrun in fiscal 1994. The remaining $2.4 million is the fiscal 1995 increment.

twenty-two staff in those skills areas were hired, and the recruitment strategy will be continued in fiscal year 1995.

Improvement of skills is also being carried out through training that is offered in a wide range of new courses—environmental issues, health management, women in development, poverty, private sector development, and public sector management—to enhance technical and professional skills of staff. In response to the recommendations of the Task Force on Portfolio Management and the "next steps" action program, an integrated training curriculum on portfolio management and lending operations has been developed. The content addresses several major themes of portfolio management and lending operations developed from analyses of reports on portfolio management, business and institutional priorities, and staff training needs.

Occupancy of the Phase 1 building of the new main complex by Bank staff began in the first quarter of fiscal 1994. Work preparatory to the further demolition of buildings started in October 1993, demolition was completed in May 1994, and excavation and construction of the foundations for the Phase 2 building started in the same month. Completion of the Phase 2 building is scheduled for late fiscal 1996.

In December 1993, a new department, the Headquarters Construction Department, was formed to manage the main complex rebuilding project. It is managed and staffed by personnel experienced in construction.

The second Quadrennial Benefits Survey was conducted by the Bank and the International Monetary Fund in 1993. The survey revealed that the value of staff benefits (net of staff contributions) was at an intermediate position in relation to those of 109 comparator organizations in the United States, France, and Germany. European comparators were found to have more generous leave and subsidy provisions. The review concluded that the Bank's overall benefits envelope was reasonably related to those of comparators.

On January 1, 1994 the Bank adopted a worldwide business class travel policy. Since the Bank moved toward changes in its operational travel policy in 1993, the cost of airfares from headquarters has decreased by about 25 percent. The fiscal year also marked the first full year of operations of the dual-contractor arrangements for travel service and food services, contracted for through a competitive bidding process.

Results of the fifth Attitude Survey, made available in September, showed that despite improvements on some institutional indices, work group responses deteriorated in several respects. Staff indicated that they are generally satisfied with their work, pay, and benefits, identify with the institution's goals, and feel that their managers are doing good jobs; nonetheless, they feel ambivalent towards the institution itself. Dissatisfaction with career development, internal communications, and the personnel function were cited as contributing causes of ambivalence; stress is also greater now than in 1990. Managers were directed to work with their staff and to take action on local issues.

Problems encountered by staff (particularly expatriates or those who must travel frequently) in balancing the demands of work and their family obligations frequently contribute to stress. As a result, adjustments to policy and new programs complementing existing benefits were introduced. They include enhanced provisions for emergency and family leave, greater flexibility in working hours and schedules, counselling for family members on seeking employment in the Washington area, and assistance in identifying appropriate child and elder care arrangements. It is anticipated that these measures will improve the Bank's ability to attract the diversified and highly skilled staff required to carry out its mission.

Following a review by the Health Services Department into the possible causes and remedies of stress, a stress clinic was established. Bank Staff running the program provide individual stress-management consultations, distribute educational materials, hold monthly health-promotion talks on stress, and are currently developing a training course in stress management.

Standardized occupational streams were developed to assist staff and managers in achieving greater mobility across the institution. The streams, which cover more than 85 percent of all nonmanagerial jobs, clarify the requirements for entry and growth within various job families and are used for staffing and career counselling, as well as for job-grading and promotion decisions.

Substantial changes, designed to create a better, more balanced dialogue between supervisors and staff about performance effectiveness and skill development, were made in the Bank's performance-management process for headquarters-based staff. A key element is the use of job-family competencies to enhance the specificity and usefulness of performance feedback. The competencies are integrated into the annual performance review using streamlined forms and procedures that focus attention on dialogue rather than on text. The outcome is a joint staff/manager plan for increasing the staff member's effectiveness.

In January 1994 the Personnel and Administration vice presidency was reorganized and became the Management and Personnel Services vice presidency. The reorganization was designed to make the vice presidency, which is a service arm to the rest of the Bank, become more responsive to the needs of its clients, perform to a higher standard of service, and improve the effectiveness of the Bank's business processes, both within its own areas of responsibility and without, by helping other areas of the Bank improve business processes. A new department—Organization and Business Practices—was created by merging the Organization Planning Group and units of the Information Technology and Facilities Department. The new department will bring the power of information technology and systems to the design of new work processes and organization structures. Its primary responsibility is to improve existing business practices, processes, and procedures. At the same time, the facilities units of the Information Technology and Facilities Department were merged with the General Services Department.

The management team of the new vice presidency, in collaboration with its clients, established a set of business objectives and plans for fiscal years 1994 and 1995 that will lead to reduced costs and improved quality of services, with particular focus on the Organization and Business Practices, General Services, and the Personnel Management departments. The plans address the need to support the efforts of other vice presidencies to redesign their business processes and service delivery. Two vice presidencies—the East Asia and Pacific Region and Development Economics—have launched redesign efforts. One department in each vice presidency, with the support of Management and Personnel Services, has undertaken a comprehensive redesign of its core work processes. These redesign efforts were initiated because many of the work processes have become too cumbersome and costly and lack client participation. The redesign work will be completed in the fall of 1994, with implementation scheduled to take place in 1995. Once the redesign work is finished it will be evaluated and then expanded to other departments and regions.

Information technology initiatives currently being implemented on a Bankwide basis include centrally managed and supported technology service that allows voice, video, graphic, image, text, and numeric data to be shared easily throughout the institution and with external entities. Initiatives at early stages of development include a new desktop electronic mail service that is better integrated with standard software such as word processors and spreadsheets and an Electronic Document Management System that provides new capabilities of electronically capturing, storing, and managing information from the desktop. Accomplishments in the information-management field include the establishment of a new Field Office Information Services Unit; the development of policies, guidelines, and procedures for managing Bank records; and the conversion from microfiche to optical storage of internal Bank reports.

International Finance Corporation

The International Finance Corporation (IFC), a member of the World Bank Group, promotes private enterprise in its developing member countries. It does this by financing sound private sector projects, mobilizing debt and equity financing in the international markets for private companies, and providing technical assistance and advisory services to businesses and governments.

The growth of the IFC's operations in fiscal 1994 was strong. Financing approved for IFC's own account was $2.5 billion for 231 projects, compared with $2.1 billion for 185 projects in fiscal 1993. It was also a good year for the IFC's resource-mobilization activities. The corporation approved $1.8 billion in financing to be mobilized through loan syndications and the underwriting of securities issues and investment funds. Projects approved by the IFC had total investment costs of $15.8 billion; this means that other investors and lenders will provide a total of $5.43 for every dollar approved by the IFC.

The corporation approved projects in sixty-five countries, compared with fifty-four countries in fiscal 1993, as well as a number of projects with a regional or international scope. Approvals increased in most regions. IFC's approvals in Central Asia, the Middle East, and North Africa increased by 42 percent, to $383 million; in Asia, by 16 percent, to $605 million; in Latin America and the Caribbean, by 15 percent, to $815 million; and in Europe, by 6 percent, to $443 million. In sub-Saharan Africa, the number of projects approved increased from forty-five to fifty-seven, but the volume of financing decreased to $157 million, as more than half of the projects involved small and medium-sized enterprises.

The IFC was active in many sectors, including capital markets, power, telecommunications, agribusiness, tourism, manufacturing, oil and gas, mining, and petrochemicals, among others. Capital markets activities—for example, investments in banks and nonbank financial institutions and various funds, credit lines for intermediaries, and securities underwriting—accounted for 24 percent of the dollar volume approved. A new product launched by the IFC in fiscal 1994, the State Street Bank & Trust Company/IFC Emerging Markets Index Common Trust Fund, will invest in twenty-three stock markets covered by the IFC Investable Composite Index, a series launched in fiscal 1993.

The IFC approved a number of projects in sectors such as telecommunications, power, transport, and water supply, and made a $50 million investment in a global fund that will provide mezzanine financing for power projects throughout the developing world, as well as a $1 million investment in the fund management company.

New commitments signed during the year reached $1.8 billion, up from $1.4 billion in fiscal 1993. Disbursements were also up; they reached $1.5 billion, compared with $1.2 billion last year. The IFC's disbursed portfolio grew by 14 percent during the fiscal year, to reach $6.2 billion at June 30, 1994.

The Foreign Investment Advisory Service (FIAS), which is supervised by a committee consisting of representatives of the IFC, MIGA (until July 1, 1994), and the Bank, provides advice on matters related to foreign direct investment. In fiscal 1994, FIAS completed twenty-eight advisory assignments in twenty-five countries.

The IFC's financial performance was strong during the year, with record net income of $258 million, a return of 8.8 percent on IFC's net worth, which reached $3.2 billion at June 30, 1994. The IFC borrowed $1.5 billion in the international markets and $180 million from the IBRD and issued bonds in six currencies, including its first in the drachma market. The IFC's largest borrowing to date was a Eurodollar 500 million issue made in fiscal 1994.

In fiscal 1994 the IFC's board approved a revision of the corporation's leverage and capital-adequacy policies. Under the revised policies, the corporation would maintain at all times a level of capital (including paid-in capital, retained earnings, and general loss reserves) equal to at least 30 percent of risk-weighted assets and would borrow no more than four times the amount of its net worth (the total of subscribed capital and retained earnings). At June 30, 1994, IFC's capital adequacy stood at 43 percent, well above the policy minimum of 30 percent, while IFC's leverage stood at 1.7:1, well within the permitted maximum. Those ratios convey the strong level of the corporation's capital and reserves in relation to its risk exposures and borrowings and should permit the IFC, provided that profitability remains satisfactory, to maintain its current growth rate of 12 percent to 13 percent annually in new investment approvals for the foreseeable future.

During the year the corporation's membership increased to 161 countries. The IFC welcomed five new members—Estonia, Kazakhstan, Latvia, Ukraine, and Uzbekistan.

Because of the growth of its operations and staff during the past decade, the corporation has outgrown its present office space, which is leased from the World Bank. After careful consideration, IFC management decided to buy a site near World Bank headquarters in downtown Washington, D.C. and construct new headquarters. The site was purchased in 1992, and excavation began in fiscal 1994. The IFC expects to move into its new headquarters in fiscal 1997.

Details of the IFC's fiscal year can be found in its *Annual Report*, published separately.

Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) has as its mandate to increase the flow of productive investments to developing member countries by providing services that are client-oriented, cost-efficient, and complementary to those of other relevant public and private activities. It achieves this by (a) guaranteeing (or insuring) investments in developing countries made by private investors against specific noncommercial risks; and (b) advising and assisting these countries' efforts to attract and retain such investment.

During fiscal 1994, MIGA's board of directors reviewed and approved changes in the agency's operational regulations; reviewed the agency's operations during its first five years of activities; agreed to sever the relationship with the Bank Group's Foreign Investment Advisory Services (FIAS) as of July 1, 1994 so as to conserve the agency's resources and build up reserves; approved an increase in the risk-to-asset ratio to allow for further growth in the guarantees program; and concurred with the president's decision on thirty-six insurance projects conveyed to it.

The number of countries paying their capital subscription in full and becoming members of the agency increased from 107 to 121.

Guarantee program. In fiscal 1994, MIGA's guarantee program exceeded fiscal 1993 outputs in nearly every respect. Increases took place in the number of contracts executed (38 as compared with 27), income earned from premiums and commitment fees ($9.9 million as opposed to $5.8 million), and commitments of potential coverage ($140 million in contrast with $105 million).

The thirty-eight contracts issued in fiscal 1994 involved an associated total direct investment of some $1.3 billion and created 7,800 jobs directly in fourteen host countries—a fivefold increase in job creation over the previous fiscal year. In fiscal 1994, investments were assisted in Argentina, Brazil, Bulgaria, Cameroon, Chile, China, the Czech Republic, Hungary, Kazakhstan, Pakistan, Peru, Trinidad and Tobago, Uganda, and Uzbekistan.

Several milestones in the evolution of MIGA's guarantees program were reached in fiscal 1994. MIGA signed its 100th contract of guarantee; total contingent liabilities exceeded the $1 billion mark; the 1,500th preliminary application for coverage was received; and the agency was formally admitted as a member of the International Union of Credit and Investment Insurers (the Berne Union).

Technical assistance activities. MIGA furnishes a variety of technical assistance services to assist efforts to stimulate foreign direct investment in the developing world and the transitional economies (collectively referred to by MIGA as Category Two countries). Through the end of fiscal 1994, these services were furnished both directly and through the FIAS. Technical assistance is now focused primarily on investment promotion and information dissemination on investment opportunities in Category Two countries and the related capacity building of those countries' investment-promotion agencies.

During fiscal 1994, and in collaboration with other agencies, MIGA conducted two major multicountry promotional events and related activities—the first for the tourism sector of South America and the second for the mining sector of sub-Saharan Africa.

Other promotion activities carried out during the year included strategy workshops designed to help member countries in capacity building for marketing, workshops to strengthen investor services and linkages, and assistance in launching investment-promotion missions.

Reflecting MIGA's new emphasis to assist member countries in information dissemination on investment opportunities, work began on some major initiatives during fiscal year 1994. The most important was preparation for the launching of a global investment-promotion agency to be supported by a planned global electronic information exchange (IPAnet). The IPAnet will link official investment-promotion agencies, business associations, financial and other intermediaries, and ultimately, investors. MIGA will provide the secretariat for the network, which will primarily enable members to meet and exchange information and experiences.

In compliance with its mandate, MIGA, directly or with FIAS, provided advice to a number of member countries on their foreign investment legislation. MIGA also actively promoted the conclusion of bilateral investment treaties among several members and encouraged the amiable settlement of a number of investment disputes.

Details of MIGA's activities in fiscal 1994 appear in the MIGA *Annual Report* for fiscal 1994, which is published separately.

International Centre for Settlement of Investment Disputes

The International Centre for Settlement of Investment Disputes (ICSID) is a separate international organization established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the Convention), which was opened for signature in 1965 and entered into force the following year.

ICSID seeks to encourage greater flows of international investment by providing facilities for the conciliation and arbitration of disputes between governments and foreign investors. In addition, ICSID undertakes advisory, research, and publications activities in the area of foreign investment law.

During the past fiscal year, ICSID's membership continued to grow with the ratification of the Convention by Peru, the Slovak Republic, Slovenia, and Zimbabwe. As of June 30, 1994, 113 countries had become members of ICSID; an additional seventeen countries had signed but not yet ratified the Convention.

During the same period, two new requests, one for arbitration and one for conciliation, were registered, and two awards were rendered. As of June 30, 1994, three cases were pending before the centre.

ICSID's publications include a semiannual law journal, "ICSID Review—Foreign Investment Law Journal," and multivolume collections of *Investment Laws of the World* and *Investment Treaties*. Two issues of the law journal and four releases of the investment laws and treaties collections were published in fiscal 1994.

Details of ICSID's activities during fiscal 1994 appear in its *Annual Report*, which is published separately.

Section Seven
World Bank Finances

The IBRD currently has 177 members. These members have subscribed about 1.41 million shares of the Bank's capital stock valued at $170 billion. The subscription price of the IBRD's shares is divided into a paid-in portion (currently 3 percent) and a larger callable portion. The former is payable to the IBRD at the time of subscription; the latter may be called only when required to meet IBRD obligations arising out of its borrowings or loan guarantees. The paid-in portion is divided in turn into a portion payable in gold or United States dollars and another payable in a member's own currency. The amount payable in a member's own currency is to be maintained in terms of its value against the standard value of the Bank's capital, which is expressed in United States dollars.

The IBRD's Articles of Agreement, as applied, require that the total amount outstanding of disbursed loans, participations in loans, and callable guarantees not exceed the total value of subscribed capital, reserves, and surplus. This defines the IBRD's statutory lending limit. The difference between that limit and the actual total of disbursed loans, participations, and callable guarantees is known as "headroom." Under current policy, the adequacy of the IBRD's capital is reviewed every three years, or more often if necessary.

Capital increases are the subject of negotiation and agreement among IBRD members. Two indicators are used to determine when and how large a capital increase may be required. One indicator is the amount of available headroom and the date by which it can reasonably be expected to be exhausted. Another is the "sustainable level of lending." This indicator is a useful planning tool since it identifies the level of lending that can be sustained indefinitely, under certain assumptions, without an increase in capital. The IBRD's current sustainable level of lending stands at about $27 billion, compared with a commitment level for fiscal 1994 of $14.2 billion.

The objective of the IBRD's financial policies is to provide the capacity to be an efficient intermediary of long-term funds borrowed from international capital markets to support development in the IBRD's borrowing countries. The maintenance of a strong AAA rating or its equivalent from the bond-rating services is critical to all shareholders, since it reflects the IBRD's outstanding financial strength and permits the institution to provide loans at lowest cost and to ensure continued access to capital markets.

The IBRD's AAA rating is underpinned by three factors: shareholder support for capital increases and access to their capital markets, the preferred-creditor status granted the IBRD by its borrowers, and the IBRD's prudent financial policies that keep risks well contained.

The IBRD accepts and manages the risk of lending to its developing member countries. That risk is assessed and managed at the country level and in aggregate. At the country level, the IBRD's lending levels are related explicitly to country creditworthiness and IBRD exposure. Creditworthiness is assessed in relation to a country's current and expected future ability to repay IBRD loans. At the aggregate level, the IBRD's overall country-portfolio risk is regularly reviewed by Bank staff, management, and the executive directors. The overall assessment of aggregate and country risk and their expected evolution are important factors in determining annual IBRD lending allocations and longer-term country-assistance strategies. They also help determine what levels of loan-loss provisions and reserves are required.

Market risks—currency, interest, and funding risk—are kept limited and are shared with borrowers.

Currency risk is limited by the IBRD's Articles of Agreement. The IBRD does not take currency risk on its borrowings; assets are held in the same currencies to match these liabilities. In addition, the IBRD's reserves and surplus are kept in the same currency composition as its outstanding loans. Interest risk is passed on to borrowers through the variable rate loans the IBRD makes. Funding risk (that is, the inability to gain access to sufficient funds to meet obligations at a particular time) is managed by borrowing medium term to long term and by carrying liquidity sufficient to meet 45 percent of the next three years' cash needs.

The lending rate on IBRD loans is based on the IBRD's own cost of borrowings. A spread of fifty basis points is added to this cost basis. This spread may be reduced by waivers that are annually decided by the executive directors in light of available net income.

The IBRD's net income is calculated net of expenses, which include loan-loss provisions. The IBRD's objective is to optimize, not maximize, net income so that reserves are adequate, while at the same time loan charges are kept low. Reserves are maintained to enable the IBRD to absorb potentially large but low-probability risks, such as a sizable unexpected increase in loan arrears, without resorting to a call on capital. A portion of net income is allocated annually in an amount sufficient to maintain the target level of reserves, currently set at a range of 13 percent to 14 percent of loans.

* * *

IBRD Financial Highlights

Financial highlights of the fiscal year ending June 30, 1994 included:

- disbursements to countries of $10.4 billion;
- borrowing the equivalent of $8.9 billion in twelve currencies, four after swaps; and
- net income of $1,051 million, well within the range that satisfies the IBRD's financial objectives.

In the first quarter of fiscal 1994, net income earned during fiscal 1993 was allocated as follows:

- $675 million to the general reserve, which, together with $1,090 million transferred from surplus to the general reserve, was intended to increase the IBRD's reserves-to-loan ratio at the end of fiscal 1994 to a minimum of 13 percent, excluding amounts allocated for prefunding of interest waivers;
- $215 million to the general reserve for prefunding of interest waivers to be granted in fiscal 1994;
- $100 million to the Debt-reduction Facility for IDA-only Countries; and
- $140 million to IDA.

Other funds transferred from surplus during the year included $325 million transferred to IDA and $50 million (from fiscal 1992 net income) to establish a trust fund for Gaza.

Financial Policies

Single-currency loans. During fiscal 1993, the IBRD began a $3 billion, two-year pilot program to offer eligible borrowers a choice of currencies as an alternative to the existing standard loan product, the targeted currency-pool loan. The IBRD offers single-currency loans in United States dollars, yen, deutsche mark, French francs, and pounds sterling, with an interest rate tied to six-month LIBOR in each loan currency (PIBOR in the case of French francs). By the end of fiscal 1994, a total of $1,715 million had been approved, involving nine loans to as many countries. Of that amount, $845 million was approved in fiscal 1994, involving five loans. All of these were United States dollar loans. At June 30, 1994, disbursements had begun on four single-currency loans. The IBRD will review the results of the pilot program during fiscal 1995.

Review of currency-pool targets. During fiscal 1994, the executive directors undertook an interim review of the target ratios for the composition of the currency pool that were established in January 1989. The objective of the 1989 policy was to achieve better predictability, balance, and understandability for borrowers by targeting the composition of their loan obligations within narrow tolerances. The executive directors affirmed that it is the intention of the IBRD to maintain at least 90 percent of the United States dollar equivalent value of the pool in targeted ratios of 1 United States dollar: 125 yen: 2 deutsche mark equivalent (comprised of deutsche mark, Swiss francs, and/or Netherlands guilders) until at least June 1996. At the end of the year, 97.7 percent of currency-pool loans were in the targeted currencies.

Accumulated provisions for loan losses. The level of loan-loss provisions is based on an assessment of the collectibility of loans in nonaccrual status, together with an evaluation of collectibility risks in the remainder of the portfolio. For fiscal year 1994, loan-loss provisions were maintained at a level equal to 3 percent of total loans disbursed and outstanding plus the present value of guarantees for an amount equivalent to $3,324 million at the end of the fiscal year.

Loans

Disbursements. Gross disbursements by the IBRD to countries during fiscal 1994 were $10,447 million, down $2,495 million from fiscal 1993's total of $12,942 million. Net disbursements were negative, at −$731 million, down from $2,331 million in fiscal 1993. The decline in net disbursements is the result of the lower level of gross disbursements combined with a high level of prepayments, at $970 million, in fiscal 1994. Excluding prepayments, net disbursements declined $2,557 million to $239 million.

Lending rate. Under the IBRD's current semiannual variable lending-rate system, the interest rate was 7.43 percent for the first semester and 7.27 percent for the second semester of fiscal 1994. By comparison, the other variable lending rate—applicable to loans for which invitations to negotiate were sent before May 18, 1989, and not converted by borrowers to the new system—was 7.42 percent and 7.25 percent for the first and second semesters, respectively, of fiscal 1994. The difference between the rates is due to differences in allocations of borrowings to lending and/or to investments and to the weights applied to currency-specific costs.

The single-currency lending rates applicable in the second semester of 1994 (based on the IBRD's cost of six-month LIBOR-based funding in each loan currency (PIBOR in the case of French francs)) were 3.66 percent in United States dollars, 2.41 percent in yen, 5.91 percent in deutsche mark, 6.28 percent in French francs, and 5.72 percent in pounds sterling.

Interest waivers. During fiscal 1994, the IBRD waived twenty-five basis points of the semester interest rate on loans to all borrowers that had made all loan-service payments within thirty days of their due date. (Approximately 83 percent of the IBRD's total volume of outstanding loans is currently eligible for the interest-spread waiver.) This waiver was in addition to the continuation during the year of a waiver on part of the IBRD's commitment fee on undisbursed balances that resulted in a reduction of that fee from seventy-five to twenty-five basis points.

Loans in nonaccrual status. At the end of fiscal 1994, five member countries (Iraq, Liberia, Sudan, Syria, and Zaire), as well as two successor republics of the former Socialist Federal Republic of Yugoslavia (the Federal Republic of Yugoslavia (Serbia and Montenegro) and Bosnia-Herzegovina) were in nonaccrual status. Sudan and Zaire were new entrants to nonaccrual status in fiscal 1994, while the former Yugoslav Republic of Macedonia and Congo cleared all arrears on February 14, 1994 and on June 29, 1994, respectively. Moreover, Syria has been making periodic debt-service payments to the IBRD.

Liquid-assets Management

At the end of fiscal 1994, the IBRD's liquidity totaled $19 billion, or about 45 percent of anticipated net cash requirements over the next three fiscal years. At the end of fiscal 1993, liquidity amounted to $18.5 billion. The IBRD's primary objective in holding such liquidity is to ensure flexibility in its borrowings decisions should borrowing be adversely affected by temporary conditions in the capital markets.

The IBRD's liquid assets are invested exclusively in fixed-income markets and are actively traded. The attendant portfolio-management activities are fully supported by comprehensive risk-management and monitoring procedures covering both credit risk and interest-rate risk. Trading performance is measured daily against detailed benchmark portfolios.

Areas of continued enhancements in the management of the IBRD's liquid assets included the following areas: development of multiple trading approaches; integration of computer systems across trading, accounting, and control functions; and improvements in performance-measurement and risk-monitoring systems.

During fiscal 1994, the IBRD's financial return on its portfolio was 3.53 percent. The financial return on investments in fiscal 1993 was 6.07 percent. The portfolio continues to be managed in relation to a benchmark strategy of one-year duration. The low returns in fiscal 1994 reflect the combination of the absolute low level of short-term interest rates and capital losses due to the increase in rates since the middle of the year.

Borrowings and Liability Management

The objectives of the IBRD's borrowing and liability-management strategy are to ensure the long-term availability of funds to the IBRD for lending and liquidity and to minimize the costs of funds for the IBRD and its borrowers. The IBRD seeks to ensure the availability of funds by developing borrowing capacity in markets in advance of need and by diversifying its borrowings by currency, source, and maturity to provide maximum flexibility in funding. It also seeks to strengthen the continuing appeal of its securities by offering features that are tailored to satisfy investors' asset preferences and by positioning its securities advantageously in each capital market (for example, from a regulatory-tax and investment-classification perspective).

Within the framework of the currency composition of borrowings required to fund its lending products, the IBRD seeks to minimize the cost of borrowed funds by using, among other things, currency swaps to obtain cost savings compared with the cost of direct borrowings in target currencies; structured financings converted to conventional liabilities using over-the-counter financial derivatives; the use of short-term and variable rate instruments; and prepayments, market repurchases, and refinancings of higher-cost borrowings.

Medium-term and long-term (MLT) funding. During fiscal year 1994, the IBRD raised $8.9 billion through MLT borrowings in twelve currencies, including $7.8 billion of fixed rate borrowings and $1.1 billion of variable rate

Table 7-1. IBRD Borrowings, Fiscal Year 1994
(amounts in millions)

Type	Issue	Currency of issue		US-dollar equivalent[a]
Medium- and long-term public offerings				
Global	5.875% ten-year bonds, due 2003	DM	3,000	1,815.7
	4.5% seven-year bonds, due 2000	¥	225,000	2,114.3
	5.250% ten-year bonds, due 2003	US$	1,250	1,242.5
Eurobond market	5.5% three-year notes, due 1997	$A	100	67.4
	6.25% five-year bonds, due 1998	Can$	200	151.6
	6.25% five-year bonds, due 1998	Can$	150	111.9
	Ten-year structured notes, due 2004	DM	100	57.5
	9.45% ten-year notes, due 2003	Lit	300,000	192.7
	Five-year floating-rate notes, due 1998	Lit	150,000	96.2
	Seven-year structured notes, due 2001	¥	50,000	481.4
	Eight-year structured notes, due 2002	¥	2,000	19.3
	Three-year structured notes, due 1996	US$	100	100.0
	Two-year structured notes, due 1996	US$	100	101.0
	Seven-year structured notes, due 2001	Lit	200,000	126.7
Germany	Five-year structured notes, due 1999	DM	125	73.7
Greece	15.50% three-year notes, due 1997	Dr	15,000	61.4
Hong Kong	4.608% three-year bonds, due 1996	HK$	1,000	129.7
Japan	Zero-coupon bonds, due 1999	¥	100,000	832.2
Portugal	8.5% five-year bonds, due 1998	Esc	11,600	67.4
Spain	9.75% five-year bonds, due 1998	Ptas	10,000	75.0
United States	Four-year structured notes, due 1997	US$	25	25.0
	Two-year structured notes, due 1995	US$	10	10.0
	Two-year structured notes, due 1996	US$	10	10.0
Total medium- and long-term public offerings				7,962.6
Medium- and long-term placements with central banks and governments				
Germany	6.15% five-year note, due 1998	DM	250	145.3
	5.27% five-year note, due 1999	DM	250	143.1
International	4.00% two-year notes, due 1995	Sw F	189	132.8
Total medium- and long-term placements with central banks and governments				421.2
Medium- and long-term other placements				
Belgium	6.85% two-year loan, due 1995	BF	5,080	148.3
Switzerland	4.25% seven-year notes, due 2000	Sw F	300	200.8
	4.00% eight-year notes, due 2002	Sw F	250	174.7
Total medium- and long-term other placements				523.8
Total medium- and long-term borrowings, fiscal 1994				8,907.6
Short-term borrowings outstanding[b]				
Central bank facility[c]		US$	2,599	2,599.3
Discount notes		US$	560	560.0
Structured financings		US$	131	131.0
Structured financings		¥	2,000	20.2
Short-term borrowings outstanding as of June 30, 1994				3,310.5

a. Medium- and long-term borrowing amounts based on gross proceeds, expressed at exchange rates prevailing at the time of launch.

b. Maturing within one year.

c. These issues were placed with central banks, government agencies, and international organizations.

borrowings (see Table 7-1). After $1.1 billion of currency swaps and a notional par volume of $2.5 billion of interest-rate swaps, all of the year's borrowings, except for $193 million raised in United States dollars to fund single-currency loans and minor residuals in vehicle currencies, were fixed rate liabilities denominated in United States dollars, yen, deutsche mark, and Swiss francs. The average maturity of all this funding was 7.4 years, and the after-swap cost was 5.03 percent (see Table 7-2).

Noteworthy among the transactions in the IBRD's core currencies during the past year was the IBRD's first deutsche mark global

Table 7-2. IBRD Borrowings, after Swaps, Fiscal Year 1994

(amounts in millions of US dollars equivalent)

Item	Before swaps Amount	Before swaps %	Before swaps Maturity (years)	Currency swaps (amount)	After swaps Amount	After swaps %	After swaps Maturity (years)	Cost (%)
Medium- and long-term borrowings								
U.S. dollars	1,488.5	17	7.9	256.4	1,744.9	20	7.9	5.18
Japanese yen	3,447.2	39	6.6	—	3,447.2	39	6.6	4.26
Deutsche mark	2,235.3	25	8.5	811.4	3,046.7	34	8.5	5.91
Swiss francs	508.3	6	6.0	—	508.3	6	6.0	4.02
Others[a]	1,228.3	14	5.0	(1,067.9)	160.4	2	2.3	6.88
Total	8,907.6	100	7.4		8,907.6	100	7.4	5.03[b]
Short-term borrowings outstanding								
Central bank facility (U.S. dollars)	2,599.3	79	0.5					5.36
Discount notes (U.S. dollars)	560.0	17	0.4					3.60
Structured financings:								
U.S. dollars	131.0	4	0.3					3.14
Japanese yen	20.2	1	0.7					1.33
Total as of June 30, 1994[c]	3,310.5	100	0.6					4.95

— Zero.

NOTE: Details may not add to totals because of rounding.

a. Represents borrowings in Australian dollars, Belgian francs, Canadian dollars, Greek drachma, Hong Kong dollars, Italian lire, Portuguese escudos, and Spanish pesetas. After-swap figures include a Belgian franc borrowing for $148 million equivalent which was hedged into Netherlands guilders with an existing currency swap.

b. Excludes the cost of $193 million of single-currency loan funding, which was held at floating rates as of June 30, 1994.

c. Short-term borrowings outstanding on June 30, 1993 totaled $3,789 million.

Box 7-1. IDA's Ninth Replenishment Period (Fiscal 1991–93)

The three-year period of IDA's ninth replenishment (IDA-9)—July 1, 1990 to June 30, 1993—was marked by a difficult international economic environment characterized by a slowdown in the growth of world trade, recession in the industrialized world, a plunge in real prices for nonoil commodities, and a stagnation in flows of official development assistance.

Dramatic political changes also took place. The end of the Cold War saw new IDA borrowers, such as Albania, Belarus, and Mongolia, all bringing with them far-reaching agendas for transformation of their countries into market economies. Movement toward political democracy gave impetus to reform in several countries but distracted attention from reform programs in others. The economic impact of the 1991 Gulf War, although shorter and less severe than initially feared, called for (and subsequently received) a response from the association that could not have been anticipated at the replenishment's outset.

During the three-year period, the association provided funding to sixty countries. Lending commitments totaled SDR13.7 billion, an increase of 20 percent in nominal terms over the previous three-year period.[1]

African countries received 46 percent of total IDA-9 commitments, as did the countries of South Asia and East Asia together. Adjustment lending accounted for about 22 percent of total lending, while lending for education; population, health, and nutrition; and water supply and sanitation increased sharply, from 20 percent of the total in IDA-8 to 31 percent.

At the time of the agreement, reached on December 14, 1989, on a ninth replenishment of IDA's resources, donor-country negotiators (IDA deputies) identified three program areas deserving of the highest priority during the ninth replenishment period: poverty reduction, support for sound macroeconomic and sectoral policies, and the environment. The deputies also requested that IDA's executive directors review on an annual basis how well those priorities were being pursued. According to the final review of IDA's operations and policies during the IDA-9 period, a subject of discussion by the executive board in fiscal 1994, substantial progress was made in each program area.

New and refined instruments for directly reaching the poor—poverty assessments that analyze country poverty issues and focus the policy dialogue on poverty-reduction strategies; poverty-focused actions in adjustment lending; and poverty-targeted investment credits—were either initiated during the IDA-9 period or were in an early phase of implementation. By the end of the three-year period in question, formal poverty assessments had been completed for sixteen IDA countries, adjustment operations increasingly contained measures to mitigate poverty, and 40 percent of the association's investment commitments during the final two years of the replenishment period were targeted directly at the poor.

bond for DM3 billion. The IBRD raised $2.1 billion through structured financing transactions and vehicle-currency bond issues, including $61 million through the IBRD's first issue in Greek drachma.

During the past fiscal year, the IBRD called an aggregate volume of $1.0 billion of borrowings for prepayment, including borrowings in yen, deutsche mark, European Currency Units, Belgian francs, and Luxembourg francs. In addition, it redeemed $0.2 billion of United States dollar and yen borrowings through market repurchases.

At the end of the fiscal year, MLT borrowings outstanding amounted to $95.6 billion, or 97 percent of total debt outstanding. As of June 30, 1994, the average maturity of total MLT debt was 6.0 years, and its average cost, after swaps, was 6.72 percent.

Short-term funding. As of June 30, 1994, short-term borrowings outstanding were $3.3 billion, down $0.5 billion compared with the level of June 30, 1993. Short-term borrowings outstanding at June 30 comprised $2.6 billion from official sources through the IBRD's central bank facility and $0.7 billion from market borrowings in United States dollars and yen, including $151 million raised through short-term structured financings. The cost of these borrowings was 4.95 percent compared with 3.58 percent at the end of fiscal 1993.

On June 30, 1994, short-term and variable rate funding aggregated $3.5 billion equivalent, representing about 3 percent of total outstanding debt.

Capital

On June 30, 1994, the total subscribed capital of the IBRD was $170.0 billion, or 92 percent of authorized capital of $184 billion. During fiscal year 1994, subscriptions to the $74.8 billion general capital increase (GCI), approved in April 1988, continued on schedule. Eighteen countries subscribed an aggregate $4.4 billion. A total of 555,328 GCI shares ($67 billion, or 84 percent of total allocations, including additional GCI shares allocated to new members that joined the IBRD after April 1988) have been subscribed. At the end of fiscal 1994, the permissible increase of net disbursements ("headroom") was $79.9 billion, or 42.2 percent of the IBRD's lending limit.

In 1988, the executive directors agreed to review the adequacy of the IBRD's capital every

More emphasis was placed on key groups and services. The role of women was given significantly greater recognition, and gender issues were incorporated more frequently into project design. About half of all IDA-supported projects during fiscal 1991–93 included components that addressed the specific needs of women. Greater efforts were also made to encourage the participation of beneficiaries in project design and implementation. Support for the provision of basic social services, including basic education, health, and family planning, increased substantially.

In the second program area—support for sound macroeconomic and sectoral policies—progress was made in most adjusting countries, notwithstanding the difficulties involved. Among some seventeen countries that continued to receive adjustment assistance in the IDA-9 period, reforms focused increasingly on rationalizing the public sector (by bringing government expenditures in line with available resources and capacities, streamlining the civil service, and restructuring public enterprises) and on enabling the private sector to respond to improved incentives. Nearly 120 credits during the IDA-9 period contained components aimed at improving the business climate, while a quarter of all investment lending supported infrastructural development. New reform programs were supported in an additional ten countries.

To help protect the environment, the foundation was laid during IDA-9 for comprehensive support for environmentally sustainable development in all countries. National environmental action plans (NEAPs)—the most important tool for developing a country's environmental strategy—were completed by twenty-two IDA recipient governments and, by the end of the replenishment period, were well under way for almost all of the other active IDA borrowers. Once completed, the findings of a NEAP are factored into country priorities and the plans of IDA and other donors for projects, sector studies, and the policy dialogue.

IDA's policies in environmentally sensitive sectors, such as forestry and agriculture, energy, and water-resource management, were revamped to ensure that they promote environmental objectives in IDA's policy dialogue with governments and in the design of IDA's lending program. In addition, new environmental-assessment procedures were introduced to ensure that the views of people affected by the impact of projects on the environment would be taken into account. Greater emphasis was also placed on active participation at the national and community levels in both the preparation and implementation of environmental plans and programs.

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[1] IDA gross disbursements during the period fiscal 1991–93 from the total universe of IDA credits—not just those approved during the IDA-9 period—totaled $14,261 million (of which $6,196 million was directed towards the Africa region and $5,008 million towards the countries of South Asia).

three years. In the second triennial review (June 1994), they agreed with the conclusions of a management report—that the IBRD's capital is expected to remain adequate to support the projected range of lending programs for the rest of the decade. They also agreed that the IBRD's current repayment options—first endorsed in March 1991—continue unchanged, thereby providing borrowing member countries greater flexibility in choosing repayment terms that best serve their particular country or project needs.

Reserves. On June 30, 1994, reserves amounted to $14.8 billion, and the reserves-to-loan ratio stood at 13.9 percent.

IDA Finances

In October 1993, the executive directors discussed a report on the use of resources during the IDA-9 period—fiscal years 1991–93—took note of it, and expressed their satisfaction with the use of resources during the period (see Box 7-1 for details).

IDA's commitment authority. On December 17, 1993, the tenth replenishment resolution (IDA-10) became effective. As of June 30, 1994, the association had received notifications of participation from Australia, Austria, Brazil, Canada, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Iceland, Ireland, Japan, the Republic of Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Saudi Arabia, South Africa, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

During the course of the year, the requests of Spain and Portugal to change their membership status in the association from Part II to Part I members were approved. In addition to technical differences between Part I and Part II memberships, Part I members are expected to make significant contributions to each IDA replenishment, commensurate with their economic standing.

The commitment period for IDA-10 began on July 1, 1993. As of June 30, 1994, available contributions to IDA-10 totaled SDR3,700 million. In addition, the executive directors approved advance commitment authority from future reflows amounting to SDR800 million annually for the period fiscal 1994–96 and further annual allocations in fiscal 1994 of SDR190 million for the "Fifth Dimension" program.[1] Other resources that were made available during the fiscal year included the transfer from the IBRD's surplus account totaling SDR333 million and additional resources amounting to SDR200 million as a result of a change in IDA's liquidity policy. The total available resources for the IDA-10 period during fiscal 1994 amounted, therefore, to SDR5,223 million.

Against these resources, the association made IDA-10 commitments of SDR4,734 million. Of this amount, 41 percent went to Africa, 21 percent to East Asia and the Pacific, 29 percent to South Asia, 3 percent to Europe and Central Asia, 2 percent to the Middle East and North Africa, and 5 percent to Latin America and the Caribbean. The fiscal 1994 lending program also reflected the approval of SDR450 million in additional lending to the countries of the CFA Zone.

IDA's commitment fee. For each fiscal year, the level of commitment fee is set by the executive directors based on an annual review of IDA's financial position. The commitment fee for fiscal 1995 was set at 0 percent for all IDA credits. IDA's commitment fee was 0 percent from fiscal 1989 through fiscal 1994.

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[1] The "Fifth Dimension" program provides supplementary IDA resources to those IDA-only countries that have outstanding debt to the IBRD, are current in their debt-service payments to both the IBRD and IDA, and have in place IDA-supported adjustment operations. Such supplementary resources, therefore, take into account debt impact arising from IBRD interest payments.

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Balance Sheet

June 30, 1994 and June 30, 1993
Expressed in millions of U.S. dollars

	1994	1993
Assets		
DUE FROM BANKS		
Unrestricted currencies	$ 216	$ 68
Currencies subject to restrictions—Note A	544	571
	760	639
INVESTMENTS—Notes C and D		
Obligations of governments and other official entities	9,703	10,407
Time deposits and other obligations of banks and other financial institutions	11,622	9,392
	21,325	19,799
SECURITIES PURCHASED UNDER RESALE AGREEMENTS—Note C	577	567
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS ON ACCOUNT OF SUBSCRIBED CAPITAL (subject to restrictions—Note A)	1,507	1,547
AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS—Note A		
Amounts receivable	1,133	1,210
Amounts deferred	542	480
	1,675	1,690
OTHER RECEIVABLES		
Net receivables from currency swaps—Notes C and D	513	775
Receivables from investment securities sold	2,389	1,526
Accrued income on loans	2,294	2,248
Accrued interest on investments	106	123
	5,302	4,672
LOANS OUTSTANDING (see Summary Statement of Loans, Notes B and C)		
Total loans	164,300	158,879
Less loans approved but not yet effective	11,349	10,964
Less undisbursed balance of effective loans	43,660	43,464
	109,291	104,451
OTHER ASSETS		
Unamortized issuance costs of borrowings	494	501
Miscellaneous	1,245	1,135
	1,739	1,636
Total assets	$142,176	$135,001

	1994	1993
Liabilities		
BORROWINGS (see Summary Statement of Borrowings, Notes C and D)		
Short-term	$ 3,304	$ 3,775
Medium- and long-term	95,615	92,488
	98,919	96,263
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND PAYABLE FOR CASH COLLATERAL RECEIVED	1,927	1,772
AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS—Note A		
Amounts payable	6	4
Amounts deferred	874	754
	880	758
OTHER LIABILITIES		
Accrued charges on borrowings	2,725	2,750
Net payables for currency swaps—Notes C and D	2,623	1,972
Payables for investment securities purchased	3,381	1,715
Due to the International Development Association and facilities administered by the International Development Association—Note E	1,204	1,013
Accounts payable and other liabilities	579	485
	10,512	7,935
ACCUMULATED PROVISION FOR LOAN LOSSES—Note B	3,324	3,150
Total liabilities	115,562	109,878
Equity		
CAPITAL STOCK (see Statement of Subscriptions to Capital Stock and Voting Power and Note A)		
Authorized capital (1,525,248 shares—June 30, 1994; 1,525,659 shares—June 30, 1993)		
Subscribed capital (1,409,235 shares—June 30, 1994; 1,372,648 shares—June 30, 1993)	170,003	165,589
Less uncalled portion of subscriptions	159,338	155,058
	10,665	10,531
PAYMENTS ON ACCOUNT OF PENDING SUBSCRIPTIONS—Note A	87	19
RETAINED EARNINGS (see Statement of Changes in Retained Earnings and Note E)	14,468	14,032
CUMULATIVE TRANSLATION ADJUSTMENT (see Statement of Changes in Cumulative Translation Adjustment)	1,394	541
Total equity	26,614	25,123
Total liabilities and equity	$142,176	$135,001

The Notes to Financial Statements are an integral part of these Statements.

Statement of Income

For the fiscal years ended June 30, 1994 and June 30, 1993
Expressed in millions of U.S. dollars

	1994	1993
Income		
Income from loans—Note B		
Interest	$7,707	$7,957
Commitment charges	115	124
Income from investments—Note C		
Interest	841	1,091
Securities: Net gains/(losses)		
Realized	(33)	167
Unrealized	(127)	19
Income from securities purchased under resale agreements	86	84
Other income	11	9
Total income	8,600	9,451
Expenses		
Borrowing expenses		
Interest on borrowings—Note C	6,549	6,654
Prepayment costs	31	108
Amortization of issuance costs and other borrowing costs	76	109
Interest on securities sold under agreements to repurchase and payable for cash collateral received	46	81
Administrative expenses—Notes F, G and H	731	679
Provision for loan losses—Note B	—	578
Other expenses	6	6
Total expenses	7,439	8,215
Operating Income	1,161	1,236
Less contributions to special programs—Note F	110	106
Net Income	$1,051	$1,130

Statement of Changes in Retained Earnings

For the fiscal years ended June 30, 1994 and June 30, 1993
Expressed in millions of U.S. dollars

	1994	1993
Retained earnings at beginning of the fiscal year	$14,032	$13,202
Transfer to International Development Association—Note E	(465)	(300)
Transfer to Debt Reduction Facility for IDA-Only Countries—Note E	(100)	—
Transfer to Trust Fund for Gaza—Note E	(50)	—
Net income for the fiscal year	1,051	1,130
Retained earnings at end of the fiscal year	$14,468	$14,032

Statement of Changes in Cumulative Translation Adjustment

For the fiscal years ended June 30, 1994 and June 30, 1993
Expressed in millions of U.S. dollars

	1994	1993
Cumulative translation adjustment at beginning of the fiscal year	$ 541	$378
Translation adjustments for the fiscal year	853	163
Cumulative translation adjustment at end of the fiscal year	$1,394	$541

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 1994 and June 30, 1993
Expressed in millions of U.S. dollars

	1994	1993
Cash flows from lending and development activities		
Loan disbursements	$(10,502)	$(13,077)
Loan principal repayments	10,350	10,186
Loan principal prepayments	970	460
Payments to International Development Association	(452)	(303)
Payments to Debt Reduction Facility for IDA-Only Countries	(23)	(29)
Net cash provided by (used) in lending and development activities	343	(2,763)
Cash flows from financing activities		
Medium- and long-term borrowings		
New issues	8,178	12,445
Retirements	(9,121)	(12,282)
Net cash flows from short-term borrowings	(504)	(1,652)
Net cash flows from currency swaps	(176)	(357)
Net cash flows from capital transactions	199	344
Net cash flows for financing activities	(1,424)	(1,502)
Cash flows from operating activities		
Net income	1,051	1,130
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	197	244
Provision for loan losses	—	578
Changes in assets and liabilities		
Decrease in accrued income on loans and investments	92	110
Increase in miscellaneous assets	(24)	(210)
Decrease in accrued charges on borrowings	(180)	(174)
Increase in accounts payable and other liabilities	85	8
Net cash provided by operating activities	1,221	1,686
Effect of exchange rate changes on unrestricted cash and liquid investments	586	188
Net increase (decrease) in unrestricted cash and liquid investments	726	(2,391)
Unrestricted cash and liquid investments at beginning of the fiscal year	18,473	20,864
Unrestricted cash and liquid investments at end of the fiscal year	$ 19,199	$ 18,473
Composed of		
Investments	$ 21,325	19,799
Unrestricted currencies	216	68
Net payable for investment securities purchased/sold	(992)	(189)
Net payable for securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(1,350)	(1,205)
	$ 19,199	$ 18,473
Supplemental disclosure		
Increase resulting from exchange rate fluctuations		
Loans outstanding	$ 5,658	$ 1,210
Borrowings	3,952	525
Net payable for currency swaps	1,084	992

The Notes to Financial Statements are an integral part of these Statements.

Summary Statement of Loans

June 30, 1994
Expressed in millions of U.S. dollars

Borrower or guarantor	Total loans	Loans approved but not yet effective[1]	Undisbursed loans[2]	Loans outstanding[3]	Percentage of total loans outstanding
Algeria	$ 2,931	$ 140	$1,140	$ 1,651	1.51
Argentina	5,696	509	1,298	3,889	3.56
Armenia	12	—	11	1	*
Australia[4]	*	—	—	*	*
Bahamas, The	22	—	4	18	0.02
Bangladesh	60	—	—	60	0.05
Barbados	48	8	20	20	0.02
Belarus	172	42	91	39	0.04
Belize	49	—	25	24	0.02
Bolivia	128	—	—	128	0.12
Bosnia-Herzegovina/Federal Republic of Yugoslavia[5]	1,673	—	21	1,652	1.51
Botswana	128	—	4	124	0.11
Brazil	11,904	496	4,867	6,541	5.98
Bulgaria	612	148	216	248	0.23
Cameroon	888	—	165	723	0.66
Chile	2,491	—	527	1,964	1.80
China	11,283	2,145	3,829	5,309	4.86
Colombia	3,996	179	1,097	2,720	2.49
Congo	143	16	4	123	0.11
Costa Rica	568	148	79	341	0.31
Côte d'Ivoire[6]	1,899	—	124	1,775	1.62
Croatia	245	128	18	99	0.09
Cyprus	153	—	90	63	0.06
Czech Republic	649	—	308	341	0.31
Dominican Republic	368	—	93	275	0.25
Ecuador	1,303	35	444	824	0.75
Egypt, Arab Republic of	2,081	184	454	1,443	1.32
El Salvador	369	—	100	269	0.25
Estonia	82	50	4	28	0.03
Ethiopia	4	—	—	4	*
Fiji	74	—	31	43	0.04
Gabon	140	30	24	86	0.08
Ghana	76	—	—	76	0.07
Greece	1	—	—	1	*
Guatemala	319	—	123	196	0.18
Guyana	42	—	—	42	0.04
Honduras	504	—	12	492	0.45
Hungary	3,167	—	993	2,174	1.99
Iceland	4	—	—	4	*
India	14,325	94	4,109	10,122	9.26
Indonesia	17,334	1,054	3,988	12,292	11.24
Iran, Islamic Republic of	867	—	672	195	0.18
Iraq	48	—	—	48	0.04
Jamaica	837	48	169	620	0.57
Jordan	812	20	155	637	0.58
Kazakhstan	279	56	101	122	0.11
Kenya[7]	551	—	—	551	0.50
Korea, Republic of	3,247	—	802	2,445	2.24
Kenya, Tanzania and Uganda[8]	*	—	—	*	*
Latvia	71	—	35	36	0.03
Lebanon	269	77	151	41	0.04
Lesotho	112	—	77	35	0.03
Liberia	151	—	—	151	0.14
Lithuania	88	26	14	48	0.04
Macedonia, former Yugoslav Republic of	105	—	3	102	0.09

Borrower or guarantor	Total loans	Loans approved but not yet effective[1]	Undisbursed loans[2]	Loans outstanding[3]	Percentage of total loans outstanding
Madagascar	$ 16	$ —	$ —	$ 16	0.01
Malawi	67	—	—	67	0.06
Malaysia	1,501	70	348	1,083	0.99
Mauritania	14	—	—	14	0.01
Mauritius	224	8	61	155	0.14
Mexico	17,287	1,530	2,716	13,041	11.93
Moldova	89	—	10	79	0.07
Morocco	5,440	312	1,368	3,760	3.44
Nicaragua	84	—	—	84	0.08
Nigeria	4,630	—	1,256	3,374	3.09
Oman	49	—	6	43	0.04
Pakistan	4,106	230	1,079	2,797	2.56
Panama	349	—	118	231	0.21
Papua New Guinea[4]	410	11	119	280	0.26
Paraguay	343	115	49	179	0.16
Peru	2,024	184	404	1,436	1.31
Philippines	6,711	478	1,323	4,910	4.49
Poland	3,593	—	2,302	1,291	1.18
Portugal	177	—	48	129	0.12
Romania	1,381	401	437	543	0.50
Russia	2,919	1,590	713	616	0.56
St. Kitts and Nevis	1	—	1	*	*
St. Lucia	3	—	2	1	*
St. Vincent and the Grenadines	1	—	1	*	*
Senegal	49	—	—	49	0.05
Seychelles	9	—	4	5	*
Sierra Leone	3	—	—	3	*
Slovak Republic	296	—	118	178	0.16
Slovenia	255	—	106	149	0.14
Sri Lanka	57	—	—	57	0.05
Sudan	6	—	—	6	0.01
Swaziland	23	—	—	23	0.02
Syrian Arab Republic	418	—	—	418	0.38
Tanzania	128	—	—	128	0.12
Thailand	2,078	—	315	1,763	1.61
Trinidad and Tobago	99	—	39	60	0.05
Tunisia	2,357	116	574	1,667	1.53
Turkey	7,797	100	2,270	5,427	4.97
Uganda	13	—	—	13	0.01
Ukraine	27	—	26	1	*
Uruguay	779	67	165	547	0.50
Uzbekistan	22	—	21	1	*
Venezuela	2,741	394	701	1,646	1.51
Zaire	88	—	—	88	0.08
Zambia	232	—	—	232	0.21
Zimbabwe	803	90	155	558	0.51
Subtotal Members	163,079	11,329	43,347	108,403	99.19
Caribbean Development Bank[9]	62	20	17	25	0.02
International Finance Corporation	1,159	—	296	863	0.79
Total—June 30, 1994	**$164,300**	**$11,349**	**$43,660**	**$109,291**	**100.00**
Total—June 30, 1993	$158,879	$10,964	$43,464	$104,451	

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* Indicates amounts less than $0.5 million or 0.005 percent.

(continued)

Summary Statement of Loans *(continued)*

June 30, 1994
Expressed in millions of U.S. dollars

Notes

1. Loans totaling $5,196 million ($5,996 million—June 30, 1993) have been approved by the IBRD but the related agreements have not been signed. Loan agreements totaling $6,153 million ($4,968 million—June 30, 1993) have been signed, but the loans do not become effective and disbursements thereunder do not start until the borrowers and guarantors, if any, take certain actions and furnish certain documents to the IBRD.
2. Of the undisbursed balance, the IBRD has entered into irrevocable commitments to disburse $1,861 million ($1,837 million—June 30, 1993).
3. Total loans outstanding as of June 30, 1994 includes $89,588 million ($80,832 million—June 30, 1993) at variable interest rates and $19,703 million ($23,619 million—June 30, 1993) at fixed interest rates.
4. In some instances loans were made, with the guarantee of a member, in countries which at the time were included in that member's territories but which subsequently became independent and separate members of the IBRD. Liabilities for these loans are shown under the name of the original member (whose guarantee continues unaffected). Loans with outstanding balances equivalent to $0.4 million ($1 million—June 30, 1993) are shown under Australia, the guarantor, but represent obligations of Papua New Guinea.
5. See Notes to Financial Statements—Notes A and B.
6. One loan with an outstanding balance equivalent to $1 million ($3 million—June 30, 1993) is shown under Côte d'Ivoire (Guarantor) but is also partially guaranteed by Burkina Faso.
7. Includes portions of loans made to corporations of the former East African Community.
8. Members are jointly and severally liable.
9. These loans are for the benefit of the Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago, and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean Region, who are severally liable as guarantors to the extent of subloans made in their territories.

Summary of Currencies Repayable on Loans Disbursed and Outstanding

Currency	1994	1993	Currency	1994	1993
Austrian schillings	$ 189	$ 175	Luxembourg francs	$ 35	$ 63
Belgian francs	235	220	Malaysian ringgits	41	42
Canadian dollars	164	176	Netherlands guilders	2,701	2,808
Danish kroner	75	71	Norwegian kroner	65	62
Deutsche mark	26,142	23,412	Portuguese escudos	22	21
European currency units	17	19	Pounds sterling	258	245
Finnish markkaa	48	44	Saudi Arabian riyals	91	91
French francs	783	732	South African rand	41	42
Indian rupees	26	26	Spanish pesetas	116	116
Irish pounds	28	24	Swedish kronor	72	73
Italian lire	183	185	Swiss francs	11,855	12,235
Japanese yen	37,175	35,190	United States dollars	28,753	28,200
Kuwaiti dinars	154	151	Other currencies	22	26
			Loans outstanding	$109,291	$104,451

Maturity Structure of Loans Outstanding

Period	
July 1, 1994 through June 30, 1995	$ 12,278
July 1, 1995 through June 30, 1996	11,638
July 1, 1996 through June 30, 1997	11,893
July 1, 1997 through June 30, 1998	11,863
July 1, 1998 through June 30, 1999	11,245
July 1, 1999 through June 30, 2004	36,194
July 1, 2004 through June 30, 2009	12,947
July 1, 2009 through June 30, 2014	1,233
Total	$109,291

The Notes to Financial Statements are an integral part of these Statements.

Summary Statement of Borrowings

June 30, 1994 and June 30, 1993
Expressed in millions of U.S. dollars

Medium- and Long-term Borrowings and Swaps

	Medium- and long-term borrowings			Swap agreements[a]			Net currency obligations	
	Principal outstanding[b]		Weighted average cost (%)	Currency swap payables (receivables)		Weighted average cost (return) (%)		
	1994	1993	1994	1994	1993	1994	1994	1993
Australian dollars	$ 504	$ 498	13.15	$ (505)	$ (503)	(13.17)	$ (1)[g]	$ (5)
Austrian schillings	295	274	7.89	(73)	(68)	(8.44)	222	206
Belgian francs	523	483	7.39	(471)	(434)	(8.75)	52	49
Canadian dollars	1,745[d]	1,718[d]	9.05	(1,548)	(1,584)	(8.76)[c]	197	134
Danish kroner	48	122	10.30	(47)	(121)	(10.31)	1	1
Deutsche mark	11,111[d]	9,127[d]	7.05	11,848	10,129			
					(49)	7.25[c]	22,959	19,207
European currency units	2,111[d]	2,431[d]	7.25	(1,953)	(2,120)	(7.25)	158	311
Finnish markkaa	114	209	9.68	(112)	(206)	(9.70)	2	3
French francs	1,421	1,337	9.24	(857)	(807)	(9.09)[c]	564	530
Greek drachmas	63	—	15.22	(62)	—	(15.22)	1	—
Hong Kong dollars	401	271	7.84	(400)	(267)	(7.85)	1	4
Irish pounds	61	—	7.75	(60)	—	(7.75)	1	—
Italian lire	3,506[d]	3,310[d]	10.74	(3,490)	(3,298)	(10.70)[c]	16	12
Japanese yen	35,617[d]	34,173[d]	5.45	549	721	11.83[c]		
				(1,585)	(1,885)	(7.41)[c]	34,581	33,009
Kuwaiti dinars	102	99	7.65	—	—	—	102	99
Luxembourg francs	92	142	8.26	(60)	(84)	(8.39)	32	58
Netherlands guilders	3,087	3,184	7.35	559	584	6.80		
				(1,395)	(1,271)	(7.70)	2,251	2,497
New Zealand dollars	148	175	12.40	(148)	(174)	(12.40)	—	1
Norwegian kroner	36	34	9.55	—	—	—	36	34
Portuguese escudos	267	195	10.78	(264)	(194)	(10.80)	3	1
Pounds sterling	2,797[d]	2,692[d]	9.87	(1,415)	(1,381)	(9.18)[c]	1,382	1,311
Spanish pesetas	1,001	1,077	11.67	(987)	(1,064)	(11.67)	14	13
Swedish kronor	118	279	11.42	(118)	(278)	(11.43)	—	1
Swiss francs	5,758	5,692	6.08	4,442	4,680	5.40[c]	10,200	10,372
United States dollars	24,713[d,e]	25,013[d,e]	8.03	2,934	4,030	8.35[c]		
				(2,672)	(3,158)	(7.51)[c]	24,975[g]	25,885
Principal at face value	95,639	92,535	7.08[i]					
Plus net unamortized (discounts) premiums	(24)	(47)						
Total	$95,615	$92,488						

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a. See Notes to Financial Statements—Note C.

b. Includes zero-coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings at June 30, 1994 and June 30, 1993 are:

In millions of U.S.-dollar equivalents Currency	Aggregate face amount		Discounted value	
	1994	1993	1994	1993
Canadian dollars	$ 145	$ 156	$120	$117
Deutsche mark	1,260	1,169	319	278
Italian lire	64	64	51	47
Swiss francs	973	858	253	212
United States dollars	2,874	2,969	572	608

c. Includes income and expense from interest rate swaps. At June 30, 1994 and June 30, 1993, the IBRD has entered into interest rate swap agreements with respect to notional principal amounts as follows:

In millions Currency	Currency amount		U.S.-dollar equivalent	
	1994	1993	1994	1993
Canadian dollars	149	149	$ 108	$ 117
Deutsche mark	14,991	13,569	9,442	7,932
French francs	984	984	182	171
Italian lire	200,000	—	127	—
Japanese yen	152,350	97,500	1,522	922
Pounds sterling	100	100	155	149
Swedish kronor	—	300	—	38
Swiss francs	1,124	1,124	841	742
United States dollars	3,681	4,521	3,681	4,521

(continued)

Summary Statement of Borrowings *(continued)*

June 30, 1994 and June 30, 1993
Expressed in millions of U.S. dollars

As of June 30, 1994 and June 30, 1993, 95 percent of the above notional principal amounts of these interest rate swap agreements are from floating rates into fixed rates.

d. Includes the following variable interest rate borrowings at June 30, 1994 and June 30, 1993, which through swaps have been transformed into the financial equivalent of fixed rate borrowings:

In millions

	Currency amount		U.S.-dollar equivalent	
Currency	1994	1993	1994	1993
Canadian dollars	100	100	$ 72	$ 78
Deutsche mark	425	200	268	117
European currency units	640	640	774	734
Italian lire	550,000	200,000	351	129
Japanese yen	140,500	97,500	1,494	922
Pounds sterling	25	25	38	37
United States dollars	1,602	1,377	1,602	1,377

e. Includes $175 million ($173 million—June 30, 1993) borrowed from the Interest Subsidy Fund. The Interest Subsidy Fund, which obtained its resources from voluntary contributions from member governments, was established to subsidize the interest payments to the IBRD on selected loans.

f. The weighted average cost of medium- and long-term borrowings outstanding at June 30, 1994, after adjustment for swap activities, was 6.72 percent (6.90 percent—June 30, 1993).

g. Includes borrowings of $125 million of United States dollars and $69 million of Australian dollar equivalent for which effective interest rate has not yet been fixed. These transactions are allocated to single currency loans.

Maturity Structure of Medium- and Long-term Borrowings

Period	
July 1, 1994 through June 30, 1995	$10,674
July 1, 1995 through June 30, 1996	9,527
July 1, 1996 through June 30, 1997	12,685
July 1, 1997 through June 30, 1998	13,225
July 1, 1998 through June 30, 1999	7,329
July 1, 1999 through June 30, 2004	31,663
July 1, 2004 through June 30, 2009	3,182
July 1, 2009 through June 30, 2014	2,029
July 1, 2014 through June 30, 2019	3,501
July 1, 2019 through June 30, 2024	1,400
Thereafter	335
Total	$95,630

Short-term Borrowings

	Principal outstanding		Weighted average cost (%)
	1994	1993	1994
Short-term Notes (U.S. dollars)*			
Principal outstanding at face value	$ 691	$1,306	
Net unamortized discounts and premiums	(8)	(13)	
Subtotal	683	1,293	3.49
Short-term Notes (Japanese yen)*	21	—	1.35
Central Bank Facility (U.S. dollars)	2,600	2,482	5.38
Total	$3,304	$3,775	4.84

NOTE:

* Includes interest rate swap agreements with respect to notional principal amounts of $262 million of United States dollars and $21 million equivalent of Japanese yen.

The Notes to Financial Statements are an integral part of these Statements.

Statement of Subscriptions to Capital Stock and Voting Power

June 30, 1994
Expressed in millions of U.S. dollars

	Subscriptions					Voting power	
Member	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Afghanistan	300	0.02	$ 36	$ 3.6	$ 33	550	0.04
Albania	830	0.06	100	3.6	97	1,080	0.07
Algeria	9,252	0.66	1,116	67.1	1,049	9,502	0.65
Angola	2,676	0.19	323	17.5	305	2,926	0.20
Antigua and Barbuda	292	0.02	35	0.4	35	542	0.04
Argentina	10,052	0.71	1,213	103.8	1,109	10,302	0.71
Armenia	1,139	0.08	137	5.9	131	1,389	0.10
Australia	21,610	1.53	2,607	171.4	2,435	21,860	1.50
Austria	11,063	0.79	1,335	80.7	1,254	11,313	0.78
Azerbaijan	924	0.07	111	7.1	104	1,174	0.08
Bahamas, The	1,071	0.08	129	5.4	124	1,321	0.09
Bahrain	1,103	0.08	133	5.7	127	1,353	0.09
Bangladesh	4,854	0.34	586	33.9	552	5,104	0.35
Barbados	948	0.07	114	4.5	110	1,198	0.08
Belarus	1,865	0.13	225	17.0	208	2,115	0.15
Belgium	28,983	2.06	3,496	215.8	3,281	29,233	2.01
Belize	329	0.02	40	0.8	39	579	0.04
Benin	487	0.03	59	2.5	56	737	0.05
Bhutan	479	0.03	58	1.0	57	729	0.05
Bolivia	1,002	0.07	121	8.0	113	1,252	0.09
Botswana	615	0.04	74	2.0	72	865	0.06
Brazil	24,946	1.77	3,009	185.1	2,824	25,196	1.73
Bulgaria	5,215	0.37	629	36.5	593	5,465	0.38
Burkina Faso	487	0.03	59	2.5	56	737	0.05
Burundi	402	0.03	48	1.8	47	652	0.04
Cambodia	214	0.02	26	2.6	23	464	0.03
Cameroon	857	0.06	103	6.6	97	1,107	0.08
Canada	44,795	3.18	5,404	334.9	5,069	45,045	3.10
Cape Verde	508	0.04	61	1.2	60	758	0.05
Central African Republic	484	0.03	58	2.5	56	734	0.05
Chad	484	0.03	58	2.5	56	734	0.05
Chile	6,931	0.49	836	49.6	787	7,181	0.49
China	44,799	3.18	5,404	335.0	5,069	45,049	3.10
Colombia	6,352	0.45	766	45.2	721	6,602	0.45
Comoros	282	0.02	34	0.3	34	532	0.04
Congo	520	0.04	63	2.9	60	770	0.05
Costa Rica	233	0.02	28	1.9	26	483	0.03
Côte d'Ivoire	2,516	0.18	304	16.4	287	2,766	0.19
Croatia	1,287	0.09	155	13.6	142	1,537	0.11
Cyprus	1,461	0.10	176	8.4	168	1,711	0.12
Czech Republic	6,308	0.45	761	45.9	715	6,558	0.45
Denmark	10,251	0.73	1,237	74.6	1,162	10,501	0.72
Djibouti	314	0.02	38	0.7	37	564	0.04
Dominica	283	0.02	34	0.3	34	533	0.04
Dominican Republic	1,174	0.08	142	9.8	132	1,424	0.10
Ecuador	2,771	0.20	334	18.2	316	3,021	0.21
Egypt, Arab Republic of	7,108	0.50	857	50.9	807	7,358	0.51
El Salvador	141	0.01	17	1.7	15	391	0.03

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